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David Waddell, Executive Secretary
Tennessee Public Service Commission
460 James Robertson Parkway
Nashville, TN 37219-0412

RE: Application of **Frontier Communications of America, Inc.** for Certificate to
Provide Operator Services and/or Resell Interexchange Telecommunications
Services in Tennessee

Dear Mr. Waddell:

Enclosed for filing are the original and thirteen (13) copies of the application of Frontier Communications of America, Inc. ("Frontier") for a certificate of Convenience and Necessity to operate as a telecommunications reseller in Tennessee.

Also enclosed please find our check in the amount of \$50.00 to cover the filing fee.

Please acknowledge receipt of this filing by returning, date-stamped, the extra copy of this cover letter in the self-addressed, stamped envelope enclosed for this purpose.

Any questions you may have regarding this filing, please do not hesitate to call me at (407) 740-8575. Thank you for your assistance.

Sincerely,

Shari Dawson
Consultant to Frontier Communications of America, Inc.

Enclosures

cc: Christine Burke - Frontier Communications of America, Inc.
file: FCA - TN
tms: TNi0100

June 27, 2001
Overnight Delivery
REGULATORY AUTH.

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OFFICE OF THE
EXECUTIVE SECRETARY

01-00577

**APPLICATION FOR CERTIFICATE
TO PROVIDE OPERATOR SERVICES AND/OR
RESELL
TELECOMMUNICATION SERVICES IN TENNESSEE**

SECTION A

Application is hereby made for a certificate of authority pursuant to TRA Rule 1220-4-2.57 to provide telecommunications services in the State of Tennessee.

Part 1: General Information

A. Name of Applicant:

Frontier Communications of America, Inc.
180 South Clinton Avenue
Rochester, New York 14646
Telephone: (716) 777-1000
Facsimile: (716) 325-1355

Tennessee Secretary of State Certificate of Authority ID#:
402842

Federal Taxpayer ID Number:
45-0427228

Social Security # for Applicants Applying as Individuals:
N/A

Any trade name(s), assumed name(s) or fictitious name(s) used by applicant:
N/A

If applicant has affiliate(s) engaging in providing telecommunications services, provide the above requested information for each affiliate(s), as well as for the applicant.
See Exhibit I

*****IMPORTANT INFORMATION*****

If applicant has affiliate(s) or parent company, or constituency corporations, engaged in providing telecommunications services, or operating under any trade name, assumed name or fictitious name used by the above, provide the above requested information on all parts of this application as well as for the applicant. Provide this information on a separate attachment, if necessary.

THIS SECTION FOR TRA USE ONLY

Docket Number:

Company ID Number:

Date Approved:

Evaluator:

Part 1: General Information, (Cont'd.)

- B. Describe other businesses or business transactions, if any, at the same location as the principal business address:**

Frontier conducts no other non-telecommunications business operations at its principal address.

- C. Provide the name, business and home address of and a chronological summary of the employment history and business experience over the preceding eight years of:**

- (a) the proprietor, if the applicant is an individual;**
- (b) Every member, if the applicant is a partnership;**
- (c) Each Executive Officer, Director and each Key Stockholder if the applicant is a joint stock association or a corporation. (Note: If the applicant is a publicly traded corporation or a subsidiary of such a corporation it does not need to provide this information)**
- (d) Any person in a position to exercise control over or direction of, the business of the applicant, regardless of the form of organization of the applicant.**

Management profiles of Frontier's key executives are submitted as Exhibit II.

- D. Has the applicant or any of its parent companies, subsidiaries, affiliates, owners, partners, LLC members, directors, officers, five percent(5%) more shareholders or beneficiaries (of a trust) been associated with a business whose authority to transact business was denied, revoked or suspended by a state or federal regulatory or law enforcement entity?**

☐ Yes ☒ No

- E. Has the Tennessee Regulatory Authority, or any other agency of the State of Tennessee, any federal agency or any agency of any other state ever initiated a regulatory action or order against the applicant or any of its parent companies, subsidiaries, affiliates, owners, partners, LLC members, directors, officers, five Percent (5%) more shareholders or beneficiaries (of a trust)?**

☐ Yes ☒ No

- 1- Had the applicant or any of its parent companies, subsidiaries, affiliates, owners, partners, LLC members, directors, officers, five percent (5%) more shareholders or beneficiaries (of a trust), been enjoined or restrained by order by any court or state or federal regulatory or law enforcement entity from engaging in any conduct or practice related to the telecommunications business?**

☐ Yes ☒ No

- F. Has the applicant or any of its parent companies, subsidiaries, affiliates, owners, partners, LLC members, directors, officers, five percent (5%) more shareholders or beneficiaries (of a trust) been associated with a business who has ceased providing telecommunications services in any state, describe the circumstances.**

☐ Yes ☒ No

Part 1: General Information, (Cont'd.)

- G. Has the applicant or any of its parent companies, subsidiaries, affiliates, owners, partners, LLC members, directors, officers, five percent (5%) or more shareholders or beneficiaries (of a trust) been convicted of any crimes, or charged in court with any fraudulent or dishonest acts in any transaction of any kind, or confined in any penal institution? If so, list such persons, five details, state results and final outcome.**

☐ Yes ☒ No

- 1- Has the applicant or any of its parent companies, subsidiaries, affiliates, owners, partners, LLC members, directors, officers, five percent (5%) or more shareholders or beneficiaries (of a trust) been indicted, convicted, pled guilty or pled nolo contendere to a felony in Tennessee or elsewhere?**

☐ Yes ☒ No

- H. Name and telephone number of contact person authorized to respond to Authority inquiries regarding company operations Monday through Friday.**

Christine Burke, Regional Manager, Regulatory
Frontier Communications of America, Inc.
180 South Clinton Avenue
Rochester, New York 14646
Telephone: (716) 777-6719
Facsimile: (716) 325-1355

Name and telephone number of contact person authorized to respond to Authority inquiries regarding this filing Monday through Friday.

Shari Dawson
Consultant to Frontier Communications of America, Inc.
210 North Park Avenue
Winter Park, FL 32789
Telephone: (407) 740-8575
Facsimile: (407) 740-0613

- I. List a toll-free telephone number and mailing address that consumers can call or write to report service problems and/or request refunds or adjustments.**

Customers may reach the company at the toll-free customer service number, (800) 727-1653, which will be provided on each invoice for service. In addition, customers may contact the company in writing at Customer Service Unit, 180 South Clinton Avenue, Rochester, New York 14646.

The Company has numerous technical personnel to handle repair & maintenance issues. Also, the Company's underlying carrier monitors its network 24 hours per day for all network potential problems.

- J. Provide the name and address of the registered agent for service of process:**

Corporation Service Company
500 Tallan Building
Two Union Square
Chattanooga, TN 36402-2571
615-321-2050

- K. Identify all authorized agents in the state, if any by name, address, business and home phone numbers and any other business conducted by the agent at the same location.**

Frontier's agent in Tennessee is answered in question J above.

Part II - Service

A. Check the type of telecommunication services you plan to provide in Tennessee.

☒ Resell Interexchange long distance services

☐ Resell Local Exchange services

☒ Operator Services

☐ Other: _____

B. If providing operator services, list company name, address and contact person for all reseller carriers you serve in Tennessee. Provide the above information on Appendix I.

C. List the state(s) you are authorized to operate in at this time.

The Applicant has a proven track record for providing high quality services and responsive customer service. The Applicant is currently authorized to provide competitive local and long distance services in Alabama, Florida, Georgia, Iowa, Illinois, Indiana, Michigan, Minnesota, Mississippi, New York, Ohio, Pennsylvania and Wisconsin.

The Applicant presently has long distance applications pending in the following states: Alaska, Arizona, Arkansas, Colorado, Connecticut, Delaware, Hawaii, Idaho, Kansas, Kentucky, Louisiana, Maine, New Hampshire, New Jersey, New Mexico, North Carolina, North Dakota, Oklahoma, Rhode Island, Vermont, West Virginia and Wyoming.

The Company is aggressively pursuing a nationwide certification program. The Company has not been denied certification from any state utility commission nor has it had a certificate revoked in any state.

From the above states, list the number and types of complaint(s) files against applicant, and the complaint(s) current status.

Frontier has had no customer complaints filed against them. They are still in the beginning states of certification.

If applicant has affiliate(s) or parent company, or constituency corporations, engaged in providing telecommunications services, or operating under any trade name, assumed name or fictitious name used by the above, provide the above requested information for all as well as for the applicant.

The Applicant is one affiliate in a large network of affiliated telecommunications companies. In the routine course of business, a number of complaints are received and processed for these affiliates nationwide. No IXC or CLEC affiliate has ever been fined or penalized for any slamming, cramming or other anti-consumer behavior. The combined Global Crossing IXC operations represent the largest telecommunications enterprise in America that can make this claim.

See Exhibit I for affiliated entities and the states in which each entity has authority.

D. List any states that the applicant or any affiliate, parent company, or constituency corporation operating under any trade name, assumed name, or fictitious name, has been denied authority to provide service.

Frontier has never been denied authority in any state in which it has applied.

E. Areas in Tennessee to be served.

Frontier proposed to service the entire state of Tennessee.

F. What type of Customers will the company serve?

- ☒ Business
- ☒ Residential
- ☐ Aggregators, (e.g. Hotels, Payphones)
- ☐ Other: _____

G. Does the applicant allow a property imposed fee (PIF) to be added to the price of intrastate telephone calls over your network?

Not applicable.

H. Are your prices for intrastate services plus any PIF equal to or less than the dominant carriers price for similar services?

Not applicable.

Part II - Service, (Cont'd.)

I. Describe the type of services and price that the applicant will be offering in Tennessee on the Informational Tariff Form found in Appendix II¹

The Applicant will provide resold telecommunications services including travel service available through toll-free access. Service will be offered to both residential and business customers. The Applicant proposes to offer intrastate long distance services in conjunction with interstate services. Service will be provided twenty-four (24) hours per day, seven (7) days a week. The Applicant proposes to offer service throughout the entire state of Tennessee.

J. What is the applicant's 101XXXX or 800 access code?

Not applicable.

K. Does the applicant now have or plan to have any telecommunications facilities (e.g. switches, fiber lines) in Tennessee?

No.

L. Whose facility-based network(s) will the applicant be reselling?

Global Crossing

M. Will the applicant be utilizing the local telephone company's billing system or billing Customers direct²?

Frontier will be billing its customers directly.

N. Describe briefly how the applicant plans to market their services in Tennessee.

Frontier will utilize either direct mail, direct sales or direct telemarketing to reach its market.

O. If independent telemarketers are to be used, list the name, contact person, address phone number and federal taxpayer ID for each company.

Not applicable.

P. Describe the methods and procedures by which the applicant will use to switch a consumer's preferred interexchange service, and to prevent unauthorized switching of a consumer's interexchange service.

The Applicant will follow the following verification procedures. When customers are solicited through telemarketing, the required independent third party verification procedure will be used. The Applicant obtains signed letters of agency (LOAs) from customer who subscribe to its services. The letter of agency provides the Applicant with written authorization from each customer for whom a Primary Interexchange Carrier change order will be issued.

Q. Applicant has the ability and agrees to honor the form of call blocking that the consumer has subscribed to with their local telephone company.

☒ Yes ☐ No

R. Applicant gives permission to the local telephone company to provide the Authority a periodic sample of the reseller's intrastate toll calls. The purpose of this analysis is to audit the reseller's rates to assure they are at or below the dominant carrier's tariffed rates.

☒ Yes ☐ No

¹ Applicant is required to fill out an Informational Tariff form. Failure to fill out this form will cause the applicant's request to be rejected.

² A copy of a bill is required if the applicant is going to bill the Customer direct.

Part III - Organization Structure

A. Applicant's Organization Structure:

- ☒ Corporation
 - ☐ Publicly Traded Corporation
 - ☒ Subsidiary of a Publicly Traded Corporation
 - ☐ Limited Liability Corporation - **Attach a copy of the articles or organization and operating agreement along with amendments.**
 - ☐ Other form of Corporation _____
- ☐ Association
- ☐ Joint Stock Association
- ☐ Trust
- ☐ Individual

SECTION (a) thru (g) is to be completed if applicant is a Corporation, Association or Trust

(a) The date and State of formation / incorporation:

The Applicant was organized as a Delaware corporation on August 19, 1992 under the name Visions Long Distance America, Inc. On October 20, 1994, the name was changed to Frontier Long Distance of America, Inc. The name was further amended on June 6, 2000 to Frontier Communications of America, Inc. The Applicant is a wholly-owned subsidiary of Frontier Subsidiary Telco, Inc., which is a wholly-owned subsidiary of Global Crossing North America, Inc., which is a wholly-owned subsidiary of Global Crossing, Ltd., which is located at Wessex House, 45 Reid Street, Hamilton, Bermuda. Frontier Communications of America and the intermediate holding companies are located at 180 S. Clinton Avenue, Rochester, New York 14646.

(b) Attach a certificate of good standing from the state in which the applicant was incorporated / formed.

Frontier's articles of incorporation are attached as Exhibit III.

(c) Attach a copy of Certification of Authority issued by Tennessee Secretary of State showing corporation's authority to engage in business in Tennessee.

Frontier's Tennessee Secretary of State certificate is attached as Exhibit IV.

(d) Describe the corporate structure of the applicant, including the identity of any parent or subsidiary of the applicant. Disclose whether any parent or subsidiary is publicly traded on any stock exchange.

The Applicant is a wholly-owned subsidiary of Frontier Subsidiary Telco, Inc., which is a wholly-owned subsidiary of Global Crossing North America, Inc., which is a wholly-owned subsidiary of Global Crossing, Ltd.

(e) Provide the history of material litigation and criminal convictions of every current director, executive officer, or key shareholder of the applicant for the ten-year period prior to the date of this application.

There have been no material litigations and/or criminal convictions on any director, officer or shareholder of the company.

(f) If applicable, attach a copy of the instrument creating the trust and all amendments thereto:

Not applicable.

Part III - Organization Structure, (Cont'd.)

- B.** ☐ Proprietorship
- ☐ Partnership
- ☐ General - **Attach a copy of the partnership agreement along with any amendments.**
- ☐ Limited - **Attach a copy of the certificate of limited partnership and the partnership agreement along with any amendments.**
- ☐ Other - _____

All of the above will be required to submit a valid business license.

- (a) Identify the place and date of the applicant's qualifications to provide telecommunications in this state.**
- (b) List the full name, social security number and address of the owners, if a sole proprietorship, or all partners identifying the percentage of ownership.**

- C. Number of employees:** The Applicant has no employees. The Applicant contracts the services of its affiliated companies.

Employee Identification Number: 45-0427228

Part IV - Financial Information

A. Address where business records are kept:

Frontier's business records are kept at the company's headquarters:

Frontier Communications of America, Inc.
180 South Clinton Avenue
Rochester, New York 14646
Telephone: (716) 777-1000
Facsimile: (716) 325-1355

B. Attach a copy of the applicant's most recent unconsolidated and consolidated audited financial statements for the immediately preceding three-year period. Provide in detail the applicant's financial condition, including balance sheet and income statement. Attach, if available, a copy of your company's 10K and/or stockholder reports.

(1) Fiscal year end:

Month: December Day: 31, 2000

(2) Date of most recent audited, unconsolidated financial statement of applicant is:

Not applicable.

(3) If applicable, name and address of independent certified public accountant:

Arthur Andersen

(4) Period covered by financial statement attached:

January 1, 2000 to December 31, 2000

A copy of Frontier's most current financials are attached as Exhibit V.

C. Does the applicant currently have an internal auditor and/or internal audit program?

☒ Yes ☐ No

If so, Name of Internal Auditor:

Adam Parrish, Internal Audit Manager

D. If applicable, provide a history of applicant's material litigation and criminal convictions for the ten-year period prior to the date this application is made. Material litigation is defined as any litigation that, according to generally accepted accounting principles, is deemed significant to a person's financial health and would be required to be referenced in annual audited financial statements, reports to shareholders or similar documents.

Not applicable.

Frontier Communications of America, Inc.

Appendix I

Reseller Name

Address

Contact Person

Not applicable

Frontier Communications of America, Inc.

Appendix II

Proposed Rate Sheet

SECTION 1.0 - DESCRIPTION OF SERVICE AND RATES

1.1 General

Frontier offers direct dialed, inbound toll free service, travel card and directory assistance services for communications originating and terminating within the State of Tennessee under terms of this tariff.

Customers are charged individually for each call placed using the Company's service. Charges may vary by service offering, mileage band, class of call, time of day, day of week, calling volume and/or call duration. Customers are billed based on their use of the Company's services and network. No installation charges apply.

Issued: June 28, 2001

Issued by:

Christine Burke, Regional Manager, Regulatory
180 South Clinton Avenue
Rochester, New York 14646

Effective:

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SECTION 1.0 - DESCRIPTION OF SERVICE AND RATES**1.2 Calculation of Distance**

Usage charges for all mileage sensitive products are based on the airline distance between serving wire centers associated with the originating and terminating points of the call.

The serving wire centers of a call are determined by the area codes and exchanges of the origination and destination points.

The distance between the Wire Center of the Customer's equipment and that of the destination point is calculated by using the industry standard "V" and "H" coordinates.

- Step 1 -** Obtain the "V" and "H" coordinates for the Wire Centers serving the Customer and the destination point.
- Step 2 -** Obtain the difference between the "V" coordinates of each of the Wire Centers. Obtain the Difference between the "H" coordinates.
- Step 3 -** Square the differences obtained in Step 2.
- Step 4 -** Add the squares of the "V" difference and "H" difference obtained in Step 1.
- Step 5 -** Divide the sum of the square obtained in Step 4 by ten (10). Round to the next higher whole number if any fraction results from the division.
- Step 6 -** Obtain the square root of the whole number obtained in Step 5. Round to the next higher whole number if any fraction is obtained. This is the distance between the Wire Centers.

Formula:

$$\sqrt{\frac{(V_1 - V_2)^2 + (H_1 - H_2)^2}{10}}$$

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SECTION 1.0 - DESCRIPTION OF SERVICE AND RATES

1.3 Timing of Calls

Billing for calls placed over the network is based in part on the duration of the call.

- 1.3.1 Timing for all calls begins when the called party answers the call (i.e. when two way communications are established.) Answer detection is based on standard industry answer detection methods, including hardware and software answer detection.
- 1.3.2 Chargeable time for all calls ends when one of the parties disconnects from the call.
- 1.3.3 Minimum call duration and call timing increments for billing purposes is specified on a per-product basis in this tariff.
- 1.3.4 Usage charges are computed and rounded up to the nearest penny on a per call basis.
- 1.3.5 There is no billing applied for incomplete calls.

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SECTION 1.0 - DESCRIPTION OF SERVICE AND RATES**1.4 Rate Periods**

Unless otherwise specified in this tariff, the following rate periods apply to all services subject to time of day discounts:

	MON	TUES	WED	THUR	FRI	SAT	SUN
8:00 AM TO 5:00 PM*	DAYTIME RATE PERIOD					EVE	
5:00 PM TO 11:00 PM*	EVENING RATE PERIOD						
11:00 PM TO 8:00 AM*	NIGHT/WEEKEND RATE PERIOD						

* Up to but not including.

Calls are billed based on the rate in effect for the actual time period(s) during which the call occurs. Calls that cross rate period boundaries are billed the rates in effect in that boundary for each portion of the call, based on the time of day at the Customer location.

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SECTION 1.0 - DESCRIPTION OF SERVICE AND RATES**1.5 Holidays**

Calls on the following Company-recognized Holidays are rated at the Evening Rate Period rate unless a lower rate would normally apply.

New Year's Day**	Labor Day	Christmas Day**
Independence Day**	Thanksgiving Day	

* - Applies to Federally observed day only

** - When this Holiday falls on Sunday, the Holiday rate applies to calls placed on the preceding Friday.

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SECTION 1.0 - DESCRIPTION OF SERVICE AND RATES**1.6 Frontier One**

Frontier One is a non-distance sensitive, outbound, flat rated switched service option. Frontier One Customers may originate an intrastate call by dialing 1 plus an area code (where necessary) and the desired telephone number. An optional travel card is also available to Frontier One Customers.

1.6.1 Rate Structure

Frontier One Service is non-distance sensitive, flat rated 24 hours a day, seven days a week service.

The Customers total monthly use of Frontier One service is charged at the per minute rate set forth Section 1.6.2 of this tariff. Frontier One calls are billed in one minute increments, with a one minute minimum for each call. Any fraction of an increment is rounded to the next whole increment.

1.6.2 Usage Rates

- A. The Following per minute usage rates apply to all calls under Frontier One (including Company recognized holidays):

<u>Day</u>	<u>Evening/Night</u>	<u>Weekend</u>
\$0.1500	\$0.1500	\$0.1500

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SECTION 1.0 - DESCRIPTION OF SERVICE AND RATES**1.6 Frontier One (Cont'd.)****1.6.2 Usage Rates (cont'd.)****B. Optional Travel Card*** (Including Carrier recognized holidays)

The following per minute rate is applicable to all Travel Card calls placed in conjunction with Frontier One service option. All calls are billed in one minute increments, with a one minute minimum for each call:

<u>Day</u>	<u>Evening/Night</u>	<u>Weekend</u>
\$0.2500	\$0.2500	\$0.2500

The following per minute rate is applicable to all Travel Card calls when placed using the service on a stand alone basis. All calls are billed in one minute increments, with a one minute minimum for each call:

<u>Day</u>	<u>Evening/Night</u>	<u>Weekend</u>
\$0.2500	\$0.2500	\$0.2500

** An additional \$1.20 per call surcharge will be applied to all travel card calls requiring manual assistance.*

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Christine Burke, Regional Manager, Regulatory
180 South Clinton Avenue
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SECTION 1.0 - DESCRIPTION OF SERVICE AND RATES**1.7 Frontier Independence**

Frontier Independence is a long distance service which provides customers with a single per minute rate for both their inbound (8XX) and outbound (1+) usage. Independence customers may originate outbound calls by dialing 1 plus an area code and the desired telephone number. Inbound calls are originated to the Independence customer's designated location by users dialing 1 plus the Independence customer's 8XX telephone number.

Independence service is a flat rated, non-distance sensitive switched service, twenty four (24) hours a day, seven (7) days a week, including Carrier recognized holidays. The applicable per minute rates are set forth in Sections 1.7.2, 1.7.4 and 1.7.6 following, and are based on the Independence product plan selected.

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180 South Clinton Avenue
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SECTION 1.0 - DESCRIPTION OF SERVICE AND RATES**1.7 Frontier Independence (Cont'd.)****1.7.1 Independence Switched Access**

Independence switched 1 plus and 8XX calls are billed in six second increments, with an eighteen second minimum for each call. Any fraction of an increment is rounded up to the next whole increment.

Switched Access Independence service option customers may subscribe to the service on a month-to-month basis or, subscribe to one of five service plans. In each of the five plans the customer must commit to either a one year (12 month), two year (24 month), or three year (36 month) term agreement. Customers electing to subscribe to one of the five plans will receive one of the applicable per minute discount rates off the one year base rate. The applicable discounts are set forth in Section 1.7.2 following.

Independence switched term plan options will automatically revert to the month-to-month service plan unless the customer notifies the Carrier in writing before the end of the term that the customer intends to terminate the agreement at the completion of the term of the current plan. The Carrier will notify the Customer at least 60 days prior to the end of their current agreement that the end of the term is approaching. There is a minimum monthly usage level (MMUL) for each term plan option as set forth in Section 1.7.2 following. The customer will be charged the difference between the gross account usage and the MMUL if the gross account usage is less than the MMUL. A monthly termination fee, equal to the MMUL of the term plan that the Independence customer is subscribing to, will be assessed per month for each of the remaining months in the current month term after a Independence customer terminates service prior to the completion of the then current term of service.

SECTION 1.0 - DESCRIPTION OF SERVICE AND RATES**1.7 Frontier Independence (Cont'd.)****1.7.2 Independence Switched Access Rates**

The following per minute rates are applicable to all Independence 1+ and 8xx calls, for each month-to-month and term plan option, as indicated below:

Month-to-Month (MMUL) \$0	\$0.1350/minute
1 Year Term (MMUL) \$25	\$0.1250/minute
1 Year Term (MMUL) \$200	\$0.1250/minute
1 Year Term (MMUL)\$1,000	\$0.1200/minute
1 Year Term (MMUL)\$3,000	\$0.1200/minute
1 Year Term (MMUL)\$5,000	\$0.1200/minute

*Additional per minute discount for two year commitment versus one year commitment:
\$0.0025/minute

Additional per minute discount for three year commitment versus one year commitment:
\$0.0050/minute

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SECTION 1.0 - DESCRIPTION OF SERVICE AND RATES**1.7 Frontier Independence (Cont'd.)****1.7.3 Independence Dedicated Access**

Frontier Independence Dedicated Access 1 plus and 8XX calls are billed in six second increments, with a six second minimum for each call. Any fraction of an increment is rounded up to the next whole increment.

Subscribers to Independence Dedicated Access service must commit to either a one year (12 month), two year (24 month) or three year (36 month) term agreement. Applicable per minute rates for Independence Dedicated Access service are set forth in Section 1.7.4 following.

Independence dedicated term plans will automatically renew the existing plan unless the customer notifies the Carrier in writing before the end of the term that the customer intends to terminate the agreement at the completion of the term of the current plan. The Carrier will notify the Customer at least 60 days prior to the end of their current agreement that the end of the term is approaching. There is a minimum monthly usage level (MMUL) for each term plan option as set forth in Section 1.7.4 following. The customer will be charged the difference between the gross account usage and the MMUL if the gross account usage is less than the MMUL. A monthly termination fee, equal to the MMUL of the term plan that the Independence customer is subscribing to, will be assessed per month for each of the remaining months in the current month term after a Independence customer terminates service prior to the completion of the then current term of service

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SECTION 1.0 - DESCRIPTION OF SERVICE AND RATES**1.7 Frontier Independence (Cont'd.)****1.7.4 Independence Dedicated Access Rates**

The following per minute rates are applicable to all Independence 1+ and 8XX calls for each term plan indicated below:

1 Year Term (MMUL)\$1,000, \$5,000, \$15,000 or \$30,000	\$0.0800
---	----------

2 Year Term (MMUL)\$1,000, \$5,000, \$15,000 or \$30,000	\$0.0800
---	----------

3 Year Term (MMUL)\$1,000, \$5,000, \$15,000 or \$30,000	\$0.0800
---	----------

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SECTION 1.0 - DESCRIPTION OF SERVICE AND RATES**1.7 Frontier Independence (Cont'd.)****1.7.5 Independence Optional Calling Card Service**

Independence customers who make long distance calls through the optional Calling Card service, are billed in six second increments, with a thirty second minimum for each call, at the per minute rates set forth in Section 1.7.6 following.

1.7.6 Independence Optional Calling Card Rates

The following per minute rates apply to all Independence term plan customers who elect the Optional Calling Card Plan.

DAY/EVENING/NIGHT/WEEKEND
Including Carrier recognized holidays

Month-to-Month	\$0.28/minute
1 Year Term Plan	\$0.25/minute
2 Year Term Plan	\$0.23/minute
3 Year Term Plan	\$0.21/minute

*An additional \$1.20 per call surcharge will be assessed to all Independence Optional Calling Card Plan calls requiring manual intervention.

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SECTION 1.0 - DESCRIPTION OF SERVICE AND RATES**1.8 Frontier Common Sense**

Frontier Common Sense service allows customers to select either switched or dedicated outbound and inbound service, and travel card service as a unified service offering. Common Sense customers may select one of three options. It is only available in conjunction with Frontier's interstate Common Sense service. Frontier Common Sense customers may originate outbound intrastate calls by dialing 1 plus an area code and the desired telephone number, or by dialing 101XXXX and then the area code and the desired telephone number. Inbound calls are originated to the Common Sense customer's designated location by users dialing 1+ the Common Sense customer's 800 telephone number. Frontier Common Sense calls are based on length of call, and time of day.

The customer's total monthly use of Frontier Common Sense (switched, dedicated and travel) service is charged at the applicable rates per minute set forth in Section 1.8.3. Frontier Common Sense switched and dedicated outbound calls are billed in six second increments, with a six second minimum for each call. Frontier Common Sense switched and dedicated inbound calls are billed in six second increments, with an eighteen second minimum for each call. Any fraction of an increment is rounded up to the next whole increment. Frontier Common Sense customers who make long distance calls through their travel card service are billed in one minute increments with a one minute minimum.

There is a monthly minimum usage charge (MMUC) associated with Common Sense service option selected. Beginning with the customers' second invoice, and for the remaining months of any term plan commitment, the customer may be charged the difference between the gross account usage and the MMUC if the gross account usage is less than the MMUC. In addition, Common Sense customers who commit to a service term may receive additional discount credits as set forth in Section 1.8.2 based on their monthly usage level and term commitment.

Calls made to directory assistance telephone numbers are charged on a per call basis.

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Issued by:

Christine Burke, Regional Manager, Regulatory
180 South Clinton Avenue
Rochester, New York 14646

Effective:

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SECTION 1.0 - DESCRIPTION OF SERVICE AND RATES**1.8 Frontier Common Sense (Cont'd.)****1.8.1 Minimum Monthly Usage Charge (MMUC)**

Option I	up to \$100
Option II	up to \$1,000
Option III	up to \$3,500

1.8.2 Term Plan Discount Credits

Monthly Usage Level	1 Year Term Discount Credit	2 Year Term Discount Credit	3 Year Term Discount Credit
Option I	0%	2%	4%
Option II	0%	2%	4%
Option III - Switched	0%	2%	4%
Option III - Dedicated	0%	2%	4%

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SECTION 1.0 - DESCRIPTION OF SERVICE AND RATES**1.8 Frontier Common Sense (Cont'd.)****1.8.3 Usage Rates**

The following per minute rates are applicable to all Frontier Common Sense switched, dedicated and travel calls as specified below:

	InterLATA		IntraLATA	
	Peak Rates	Off Peak Rates	Peak Rates	Off Peak Rates
OPTION I				
Switched Outbound	\$0.1600	\$0.1440	\$0.1600	\$0.1440
Switched Inbound	\$0.1640	\$0.1480	\$0.1640	\$0.1480
Travel Card calls	\$0.2750	\$0.2750	\$0.2750	\$0.2750
OPTION II				
Switched Outbound	\$0.1550	\$0.1400	\$0.1550	\$0.1400
Switched Inbound	\$0.1590	\$0.1430	\$0.1590	\$0.1430
Travel Card calls	\$0.2500	\$0.2500	\$0.2500	\$0.2500
OPTION III				
Switched Outbound	\$0.1500	\$0.1350	\$0.1500	\$0.1350
Switched Inbound	\$0.1540	\$0.1390	\$0.1540	\$0.1390
Travel Card calls	\$0.2500	\$0.2500	\$0.2500	\$0.2500
Dedicated Outbound	\$0.1190	\$0.1070	\$0.1190	\$0.1070
Dedicated Inbound	\$0.1210	\$0.1090	\$0.1210	\$0.1090
Travel Card calls	\$0.2500	\$0.2500	\$0.2500	\$0.2500

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SECTION 1.0 - DESCRIPTION OF SERVICE AND RATES**1.9 Operator Services**

Operator Services are offered to Customers. Operator Services allow Customers and Consumers to place calls using operator assistance for call completion or billing.

Usage charges and an appropriate service charge will be assessed on a per call basis, as stated in this tariff. For calls made using a telephone company card, acceptance of the card will be dependent upon the Company's ability to verify the card as valid. Only those cards accepted by the Company may be used for Operator Services. The Company reserves the right to verify acceptance of charge prior to billing charges to a third party number.

- 1.9.1** Operator services may be used by the presubscribed Customer and by the Aggregator and their respective Consumers (i.e., patrons, guests, invitees or employees) to complete Person-to-Person, Collect, Third-Party, and/or Calling Card calls.
- 1.9.2** Charges for Operator Assisted Calls include two components: a usage-sensitive component based upon the time-of-day rate period, mileage, and duration of the call; and a fixed service charge based upon the type of operator service provided.
- 1.9.3** The usage-sensitive portion of the charge for an Operator Assisted Call is set forth in Section 1.9.8 below.
- 1.9.4** The fixed service charge portions of the charge for an Operator Assisted Call is set forth in Sections 1.9.9 below.
- 1.9.5** The Company shall not bill the Customer for any surcharges or fees imposed by the Aggregator. With respect to charges imposed by the Aggregator for the use of the telephone, the Aggregator is responsible for charging a flat rate and for posting of the charge in plain view at each telephone.

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SECTION 1.0 - DESCRIPTION OF SERVICE AND RATES**1.9 Operator Services, (Cont'd.)**

- 1.9.6** Service may be suspended by the Company, without notice to the Customer or the Aggregator, by blocking traffic to certain countries, cities, or NXX exchanges, or by blocking calls using certain Customer Authorization Codes, Calling Cards or credit cards, when the Company deems it necessary to take such action to prevent unlawful use of service. The Company shall restore service as soon as it can be provided without undue risk, and shall, upon request by the Customer affected, assign a new Authorization Code to replace the one that has been deactivated. The Company reserves the right to validate the credit worthiness of Customers through available credit card, Calling Card, called number, Third Party telephone number and room number verification procedures. Where a requested billing method cannot be validated, the Customer/Consumer may be required to provide an acceptable alternate billing method or the Company may refuse to place the call.
- 1.9.7** The Aggregator is responsible for payment of the Company's charges for all calls placed from the Aggregator's Premises except for Collect, Third Party, Calling Card and credit card calls. The Calling Card or credit card holder or local exchange company service subscriber is responsible for payment of the Company's charges for all calls billed to a Calling Card, credit card or a telephone line number, respectively.

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SECTION 1.0 - DESCRIPTION OF SERVICE AND RATES**1.9 Operator Services, (Cont'd.)****1.9.8 Per Minute Usage Charges****IntraLATA - Per Minute Rates**

	DAY		EVENING		NIGHT/WEEKEND	
MILEAGE BAND	INITIAL MINUTE	EACH ADD'L	INITIAL MINUTE	EACH ADD'L	INITIAL MINUTE	EACH ADD'L
0-10	\$0.1000	\$0.1000	\$0.0700	\$0.0700	\$0.0470	\$0.0470
11-16	0.1000	0.1000	0.0700	0.0700	0.0470	0.0470
17-22	0.1500	0.1500	0.1050	0.1050	0.0705	0.0705
23-30	0.1500	0.1500	0.1050	0.1050	0.0705	0.0705
31-40	0.1900	0.1900	0.1330	0.1330	0.0893	0.0893
41-55	0.1900	0.1900	0.1330	0.1330	0.0893	0.0893
56-70	0.2100	0.2100	0.1470	0.1470	0.0987	0.0987
71-85	0.2100	0.2100	0.1470	0.1470	0.0987	0.0987
86-100	0.2100	0.2100	0.1470	0.1470	0.0987	0.0987
101-999	0.2100	0.2100	0.1470	0.1470	0.0987	0.0987

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SECTION 1.0 - DESCRIPTION OF SERVICE AND RATES**1.9 Operator Services, (Cont'd.)****1.9.9 Per Call Service Charges**

The following per-call charges apply in addition to the per minute usage rates when applicable. These charges apply in all rate periods.

	<u>Per Call</u>	
Customer Dialed Calling Card/Automated	\$0.80	
Customer Dialed & Operator Assisted	\$0.80	
Customer Dialed - Operator Must Assist	\$0.80	
Operator Dialed Calling Card	\$1.94	
Operator Station	<u>Automated</u>	<u>Operator Assisted</u>
Billed Collect	\$1.94	\$1.94
Billed to Third Party	\$1.94	\$1.94
Person-to-Person		
All Billing Methods	\$3.00	\$3.00
Pay Telephone Surcharge	\$0.26	

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SECTION 1.0 - DESCRIPTION OF SERVICE AND RATES**1.10 Busy Line Verification and Interrupt**

Busy Line Verification and Interrupt services are offered in areas where the service may be obtained from the local exchange carrier.

With Busy Line Verification (BLV), the Company operator will contact the LEC operator to determine if the called number or line is in use. Only one BLV will be made per telephone call and an associated charge will apply whether or not conversation was detected on the line. The operator will not complete the call for the Customer initiating the verification request.

Busy Line Interrupt (BLI) allows the Company operator to contact a LEC operator to interrupt a telephone conversation in progress, upon the caller's request and after a Busy Line Verification occurs. Upon the caller's request, the Company operator will contact the LEC operator, who will interrupt the busy line and inform the called party that there is a call waiting from the caller. The LEC operator will not complete the call, but will only inform the called party of the request. If the call is released the Company operator will offer to complete the call for the Customer initiating the interrupt request. An applicable service charge and applicable per minute charges will apply to the completed call. Only one BLI attempt will be made per telephone call and a charge will apply whether or not the called party releases the line.

1.10.1 Busy Line Interrupt Charges:

- | | | |
|----|-------------------------------------|--------|
| a. | Busy Line Verification, per request | \$6.50 |
| b. | Busy Line Interrupt, per request | \$6.50 |

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SECTION 1.0 - DESCRIPTION OF SERVICE AND RATES**1.11 Public Telephone Surcharge**

In order to recover the Company's expenses to comply with the FCC's pay telephone compensation plan effective on October 7, 1997 (FCC 97-371), an undiscountable per call charge is applicable to all interstate, intrastate and international calls that originate from any domestic pay telephone used to access the Company's services. This surcharge, which is in addition to standard tariffed usage charges and any applicable service charges and surcharges associated with the Company's service, applies for the use of the instrument used to access the Company service and is unrelated to the Company's service accessed from the pay telephone.

Pay telephones include coin-operated and coinless phones owned by local telephone companies, independent companies and other interexchange carriers. The Public Pay Telephone Surcharge applies to the initial completed call and any reoriginated call (i.e., using the "#" symbol).

Whenever possible, the Public Pay Telephone Surcharge will appear on the same invoice containing the usage charges for the surcharged call. In cases where proper pay telephone coding digits are not transmitted to the Company prior to completion of a call, the Public Pay Telephone Surcharge may be billed on a subsequent invoice after the Company has obtained information from a carrier that the originating station is an eligible pay telephone.

The Public Pay Telephone Surcharge does not apply to calls placed from pay telephones at which the Customer pays for service by inserting coins during the progress of the call.

Per Call Surcharge:

\$0.26

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Effective:

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SECTION 1.0 - DESCRIPTION OF SERVICE AND RATES**1.12 Directory Assistance**

Directory Assistance is available to Customers of Frontier Communications. A Directory Assistance charge applies per intrastate Directory Assistance call made from points within the State of Tennessee. The Customer may make up to two (2) requests for a telephone number on each call to Directory Assistance. The Directory Assistance charge applies to each call regardless of whether the Directory Assistance Bureau is able to furnish the requested telephone number. Discounts are not applicable to Directory Assistance charges.

Per call to directory assistance: \$1.40

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Rochester, New York 14646

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SECTION 2.0 - MISCELLANEOUS

2.1 General

Each Customer is charged individually for each call placed through the Company. Charges will vary by service offering, class of call, time of day, day of week, class of call and/or call duration.

2.2 Late Payment Charge

The company will charge a one-time 1.5% late payment fee on all invoices not paid by the due date identified on the Company bill.

2.3 Return Check Charge

The Company will assess a return check charge of up to \$25.00 whenever a check or draft presented for payment of service is not accepted by the institution on which it is written. This charge applies each time a check is returned to the Company by a bank for insufficient funds.

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SECTION 3.0 - PROMOTIONS**3.1 Promotions - General**

From time to time the Company shall, at its option, promote subscription or stimulate network usage by offering to waive some of all of the nonrecurring or recurring charges for the Customer (if eligible) of target services for a limited duration, not to exceed 90 days, or by offering premiums or refunds of equivalent value. Such promotions shall be made available to all similarly situated Customers in the target market area. All promotions will be filed with and approved by the Commission prior to offering them to Customers.

3.2 Demonstration of Calls

From time to time the Company shall demonstrate service by providing free test calls of up to four minutes duration over its network.

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SECTION 4.0 - CONTRACT SERVICES**4.1 General**

At the option of the Company, service may be offered on a contract basis to meet specialized requirements of the Customer not contemplated in this tariff. The terms of each contract shall be mutually agreed upon between the Customer and Company and may include discounts off of rates contained herein, waiver of recurring or nonrecurring charges, charges for specially designed and constructed services not contained in the Company's general service offerings, or other customized features. The terms of the contract may be based partially or completely on the term and volume commitment, type of originating or terminating access, mixture of services or other distinguishing features. Service shall be available to all similarly situated Customers for six months after the initial offering to the first contract Customer for any given set of terms.

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180 South Clinton Avenue
Rochester, New York 14646

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Frontier Communications of America, Inc.

Exhibit I

Affiliated Companies

Frontier Communications of America, Inc.
Affiliated Entities Providing Telecommunications Services in Tennessee

Company Name	Global Crossing North American Networks, Inc. f/k/a Frontier Communications, Int'l
Address	180 S. Clinton Ave. Rochester, NY 14646
Phone	716-777-1000
Fax	716-232-3646
Certificate	277977
FEI	16-1194420
Assumed Names	none
States Authorized	DE, AL, AK, AZ, AR, CA, CO, CN, DC, FL, GA HA, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI MN, MS, MO, MT, NE, NV, NH, NJ, NM, NY, NC ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT VA, WA, WV, WS, WY

Company Name	Global Crossing Telecommunications, Inc. f/k/a Frontier Communications Services, Inc.
Address	180 S. Clinton Ave. Rochester, NY 14646
Phone	716-777-1000
Fax	716-232-3646
Certificate	218089
FEI	36-3098226
Assumed Names	none
States Authorized	MI, AL, AK, AZ, AR, CA, CO, CN, DE, DC, FL GA, HA, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA MN, MS, MO, MT, NE, NV, NH, NJ, NM, NY, NC ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT VA, WA, WV, WS, WY

Company Name	Global Crossing Telemanagement, Inc. f/k/a Frontier Telemanagement, Inc.
Address	180 S. Clinton Ave. Rochester, NY 14646
Phone	716-777-1000
Fax	716-232-3646
Certificate	338350
FEI	39-1423549
Assumed Names	none
States Authorized	WS, AL, AZ, AR, CA, CO, CN, DE, DC, FL, GA IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS MO, NE, NV, NH, NJ, NY, NC, OH, OK, OR, PA RI, SC, TN, TX, UT, VT, WA

Company Name	Global Crossing Local Services, Inc. f/k/a Frontier Local Services, Inc.
Address	180 S. Clinton Ave. Rochester, NY 14646
Phone	716-777-1000
Fax	716-232-3646
Certificate	365841
FEI	38-3273802
Assumed Names	none
States Authorized	MI, AZ, CA, CO, CN, DE, DC, FL, GA, IL, IN, KS

KY, MD, MA, MN, MO, NH, NJ, NY, NC, OH, OR
PA, SC, TN, TX, WA, WS

Company Name	Global Crossing Bandwidth, Inc. f/k/a Frontier Communications of the West, Inc.
Address	180 S. Clinton Ave. Rochester, NY 14646
Phone	716-777-1000
Fax	716-232-3646
Certificate	93084005
FEI	77-0228804
Assumed Names	none
States Authorized	CA, AL, AK, AZ, AR, CO, CN, DE, DC, FL, GA, HA ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS MO, MT, NE, NV, NH, NJ, NM, NY, NC, ND, OH, OK OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV WS, WY

Frontier Communications of America, Inc.

Exhibit II

Management Profiles

Frontier Communications of America, Inc.
Biographies of Senior Executive Team

ELAINE COLLINS
Director of Systems Strategy and Implementation
Frontier Telephone Group

Elaine Collins has more than 26 years of telecommunications and Information Technology experience. She served in several capacities with Frontier (formerly Rochester Telephone) when she began her career in 1974 after receiving her BA degree in Mathematics from the State University of New York at Potsdam. Shortly after joining the company, she earned a series of promotions that included IT programmer, Systems Analyst, Manager of Application Development as well as Manager of Strategic Planning.

In 1993, she further added to her technical background with a transfer into the engineering division where she was made Manager of Operational Support Systems as well as Manager of Network Planning. This experience uniquely qualified her to handle strategic customer accounts, which she did from 1994-1996.

Her ability to handle technical problems, manage costs, deadlines and personnel resulted in a transfer to Senior Manager of Project Management to oversee several strategic projects. In 1997, she was promoted again to Director of Business Customer Service. Her experience, competencies and management style resulted in another promotion to her current role as Director of Systems Strategy and Implementation for the Frontier ILEC properties.

3-00

ANGELA CHRISTIAN
Director of Consumer Customer Care
Frontier Telephone Group

Angela Christian is primarily responsible for exceeding customer service performance standards. She is also responsible for achieving revenue targets, through the sale of various products and services, by the efforts of her call center representatives. Christian has more than 700 people in her call centers and help desk operations in two states.

More than 600 of those employees work at customer call centers based in New York, Minnesota and Arizona. In addition, she oversees more than 100 employees who handle customer inquiries for Frontier's Internet help desk. She is also responsible for fostering and maintaining positive relationships with several union constituencies.

Christian has more than 20 years of telecom and management experience at Frontier and Rochester Telephone. During that time she has supplemented her extensive background with engineering and vendor-specific trafficking programs. Christian first began her career with the company in 1979, where she worked in a variety of roles and capacities until she was promoted to the position of repair supervisor/foreman in 1994.

Within two years she was promoted to Manager of customer service/sales and within a few months she was promoted again to the position of Director of customer service and sales. Christian was recently promoted to her current position of consumer customer care director, and was put in charge of the remote call centers in Burnsville, MN, Monroe, NY and the Internet help desk.

3-00

DEBRA TELLSTONE

Director of Operations
Frontier Telephone Group

Debra Tellstone is primarily responsible for exceeding State-mandated customer service levels as they relate to day-to-day network operations for Frontier. This is accomplished by leading a diverse team to achieve premier performance for hi-cap and Plain Old Telephone Service (POTS) delivery to customers.

Key customer service areas include service restoration within 24 hours; meeting installation/repair commitments and lowering the number of customer complaints overall. In addition, Tellstone plays an integral role in building and sustaining a positive working relationship with the leadership and members of the Communications Workers of America (CWA) Local 1170. Her organization is comprised of more than 750 employees.

Tellstone began her career with the company in 1989 as an operations analyst. After a year she moved to the POTS service bureau where she was staff analyst and then a dispatch foreman. Tellstone left operations at the end of 1993 to join the Carrier Alliances group where her primary responsibility was negotiation of interconnection agreements for competing carriers. She also helped develop internal processes to support this new aspect of Frontier's business.

In mid-1995 she was promoted to Manager of Carrier Alliances and was responsible for managing Frontier's relationships with CLEC's, IXC's and resellers. She then joined Operations Services in December 1996 as the Business Development Manager and then took over as acting director of Operations in July 1997. Her next promotion was to run the entire Operations organization (including field and bureau operations for POTS and Hi-Cap service). She assumed that responsibility in July 1998 and then took on the additional responsibility of outside construction for Frontier Telephone in December 1999 – which is her current position.

Tellstone earned her BA degree in Economics from St. Lawrence University in 1986. Two years later, she earned her MBA degree in Finance and Accounting from the Simon School of Business Administration, at the University of Rochester in Rochester, NY.

WILLIAM D. HAMMOND
Vice President of Product Management
Frontier Telephone Group

Bill Hammond is vice president of product management for Frontier. In this position, he is responsible for the development and rollout of new services as well as product lifecycle management within Frontier's properties. Previously, Hammond was responsible for product development as it related to CLEC, private line, networks and conferencing, which includes pricing, promotion and distribution.

Prior to assuming this position, Hammond led a multi-disciplined group charged with planning, organizing and implementing Frontier Corporation's transition to an open market structure. He served as vice president of finance and administration for Frontier Communications of Rochester at its inception. Frontier Communications of Rochester is the competitive integrated services provider that resulted from the Frontier Open Market Plan.

Since joining Frontier Corporation in 1984, his assignments have included acquisition analysis, financial forecasting, financial planning and investor relations. He was promoted to corporate manager-business planning in 1986, and appointed director of Pennsylvania telephone subsidiaries in 1988. In 1990 he was named vice president for the mideast region, overseeing the operations of subsidiary telephone companies in Pennsylvania, Michigan and Indiana. Before joining Frontier, Hammond spent eight years at Kendor Music Publishing as chief editor and controller.

Hammond is a graduate of the University of Rochester's Eastman School of Music, and earned a master's degree in business administration from St. Bonaventure University.

MARTIN MUCCI
Chief Executive Officer and President of Telephone Operations
Frontier Telephone Group

As President of Telephone Operations, Martin Mucci is responsible for the operations and customer service of Frontier's 34 local telephone companies and its CLEC and long distance operations. In this capacity, Mr. Mucci is responsible for serving more than 750,000 customers generating more than \$800 million in annual revenue with a team of 3,000 employees. He is also CEO of Frontier Telephone of Rochester, Inc. (FTR).

Mucci joined Rochester Telephone as a staff analyst in regulatory pricing and cost analysis in 1981. He served as rates and regulatory matters manager from 1985 to 1990, and was named director of regulatory and accounting in 1990. He has testified for the company in a number of Public Service Commission proceedings on issues of pricing, costs and regulatory policy initiatives, and was one of the architects and negotiators of Frontier's Open Market Plan (OMP). Under the OMP, Rochester was the first market in the country to open up local telephone service to competition on January 1, 1995.

In 1994, Mucci was promoted to the position of vice president of regulatory and finance for the Frontier Telephone Group. In this capacity, he was responsible for all regulatory, finance, and accounting operations for Frontier's telephone companies. He was also appointed treasurer of Rochester Telephone Corp., the local network company.

In 1995, Mucci was appointed to vice president of operations - Eastern Region. In this capacity, he was responsible for the operations and customer service of Frontier's nine telephone companies outside of Rochester in New York and Pennsylvania, and created Frontier's first order provisioning center for CLEC products. In 1998, he was appointed president of telephone operations with responsibility for operations and customer service of Frontier's 33 local telephone companies outside of Rochester, N.Y. and in August, 1998 assumed responsibility for Frontier Telephone of Rochester.

Mucci holds a bachelor's degree in accounting from St. John Fisher College and received a master's degree in business administration through the Executive Development Program at the University of Rochester's William E. Simon Graduate School of Business Administration. In 1997, he was a recipient of the "Forty Under Forty" award from the *Rochester Business Journal* for his professional achievements and community involvement. Mucci also received the 1999 Management of Excellence Award from St. John Fisher College in recognition of his accomplishments in business and in service to his community. He is a member of the New York State Business Council, Board of High Technology of Rochester, the Industrial Management Council, the Rochester Chamber of Commerce, the Catholic Family Center Board of Governors, St. John Fisher College Board of Trustees and the Board of the United Way of Greater Rochester.

Frontier Communications of America, Inc.

Exhibit III

Articles of Incorporation

Office of the Secretary of State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "FRONTIER COMMUNICATIONS OF AMERICA, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE ELEVENTH DAY OF MAY, A.D. 2001.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE BEEN PAID TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.



Harriet Smith Windsor
Harriet Smith Windsor, Secretary of State

2307210 8300

AUTHENTICATION: 1129165

010227862

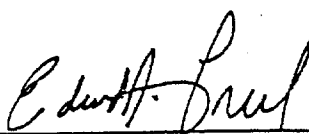
DATE: 05-11-01

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "FRONTIER LONG DISTANCE OF AMERICA, INC.", CHANGING ITS NAME FROM "FRONTIER LONG DISTANCE OF AMERICA, INC." TO "FRONTIER COMMUNICATIONS OF AMERICA, INC.", FILED IN THIS OFFICE ON THE SIXTH DAY OF JUNE, A.D. 2000, AT 9 O'CLOCK A.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.




Edward J. Freel, Secretary of State

2307210 8100

001286296

AUTHENTICATION:

0480328

DATE:

06-06-00

CERTIFICATE OF AMENDMENT OF CERTIFICATE OF INCORPORATION

OF

FRONTIER LONG DISTANCE OF AMERICA, INC.

It is hereby certified that:

1. The name of the corporation (hereinafter called the "corporation") is

FRONTIER LONG DISTANCE OF AMERICA, INC.

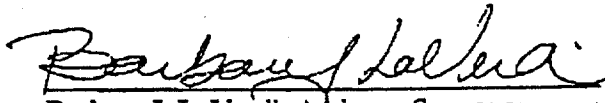
2. The certificate of incorporation of the corporation is hereby amended by striking out Article One thereof and by substituting in lieu of said Article[s] the following new Article[s]:

Article one of the Certificate of Incorporation is amended to read as follows:

1. The name of the corporation is: FRONTIER COMMUNICATIONS OF AMERICA, INC.

3. The amendment[s] of the certificate of incorporation herein certified has [have] been duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

Signed on 6/2/00


Barbara J. LaVerdi, Assistant Secretary

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 06/06/2000
001286296 - 2307210

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "VISIONS LONG DISTANCE AMERICA INC.", CHANGING ITS NAME FROM "VISIONS LONG DISTANCE AMERICA INC." TO "FRONTIER LONG DISTANCE OF AMERICA, INC.", FILED IN THIS OFFICE ON THE TWENTIETH DAY OF OCTOBER, A.D. 1994, AT 9 O'CLOCK A.M.



A handwritten signature in cursive script, reading "Edward J. Freel".

Edward J. Freel, Secretary of State

2307210 8100

944205388

AUTHENTICATION: 7282874

DATE: 10-27-94

CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

VISIONS LONG DISTANCE AMERICA INC.

VISIONS LONG DISTANCE AMERICA INC., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, **DOES HEREBY CERTIFY:**

FIRST: That at a meeting of the Board of Directors resolutions were duly adopted setting forth a proposed amendment of the Certificate of Incorporation of said corporation, declaring said amendment to be advisable and calling for a meeting of the stockholders of said consideration thereof. The resolution setting forth the proposed is as follows:

RESOLVED, That the Certificate of Incorporation of this corporation be amended by changing the Article(s) thereof numbered so that, as amended said Article(s) shall be and read as follows:

FIRST: The Name of the corporation is: **FRONTIER LONG DISTANCE OF AMERICA, INC.**

SECOND: That thereafter, pursuant to resolution of its Board of Directors, a special meeting of the stock holders of said corporation was duly called and held, upon notice in accordance with Section 222 of the General Corporation law of the State of Delaware at which meeting the necessary number of shares as required by statute were voted in favor of amendment.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation law of the State of Delaware.

FOURTH: That the capital of said corporation shall not be reduced under or by reason of said amendment.

IN WITNESS WHEREOF, said has caused its corporate seal to be hereunto affixed and this certificate to be signed by Jeremiah T. Carr, its President & CEO, and Barbara J. LaVerdi its Assistant Secretary, this 13th day of OCTOBER, 1994.

By: _____

Jeremiah T. Carr, President & CEO

By: _____

Barbara J. LaVerdi, Assistant Secretary

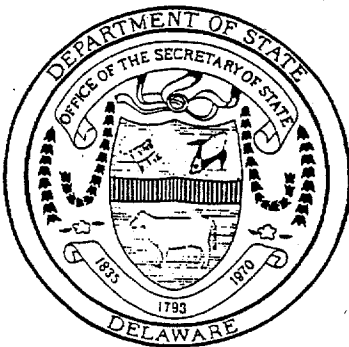


Office of Secretary of State

I, MICHAEL RATCHFORD, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "VISIONS LONG DISTANCE AMERICA INC." FILED IN THIS OFFICE ON THE NINETEENTH DAY OF AUGUST, A.D. 1992, AT 9 O'CLOCK A.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO KENT COUNTY RECORDER OF DEEDS ON THE NINETEENTH DAY OF AUGUST, A.D. 1992 FOR RECORDING.

* * * * *



922325117

Michael Ratchford

SECRETARY OF STATE

AUTHENTICATION: *3563493

DATE: 08/19/1992

STATE OF DELAWARE
CERTIFICATE OF INCORPORATION
OF
VISIONS LONG DISTANCE AMERICA INC.

I, (We) the undersigned, in order to form a corporation for the purposes hereinafter stated, under and pursuant to the provisions of the General Corporation Law of the State of Delaware, do hereby certify as follows:

FIRST: The name of the corporation is:

VISIONS LONG DISTANCE AMERICA INC.

SECOND: The registered office of the corporation in the State of Delaware is to be located at 32 Lookerman Square, Suite L-100, in the City of Dover, County of Kent.¹⁹⁹⁰ The name of its registered agent is The Prentice-Hall Corporation System, Inc.

THIRD: The nature of the business, and the objects and purposes proposed to be transacted, promoted and carried on, are to do any and all things therein mentioned, as fully and to the same extent as natural persons might or could do, and in any part of the world, viz:

To do any lawful act or thing for which corporations may be organized under the General Corporation Law of the State of Delaware.

Without limiting the scope and generality of the foregoing, the corporation may engage in the following activities:

Long distance telecommunication service.

FOURTH: The total number of shares which the corporation is authorized to issue is 200 shares .01 par value itemized as follows:

CLASS	SERIES (IF ANY)	NUMBER OF SHARES	PAR VALUE/SHARE OR ARE THEY WITHOUT PAR VALUE
Common		200	.01 Par Value

FIFTH: The name and address of each incorporator(s) is/are as follows:

Julie Espinoza
500 Central Avenue
Albany, NY 12206

SIXTH: The directors shall have power to make and to alter or amend the By-Laws; to fix the amount to be reserved as working capital, and to authorize and cause to be executed, mortgages and liens without limit as to the amount, upon the property and franchises of this Corporation.

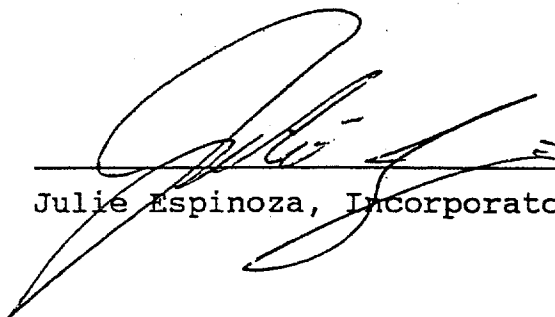
With the consent in writing, and pursuant to a vote of the holders of a majority of the capital stock issued and outstanding, the Directors shall have authority to dispose, in any manner, of the whole property of this Corporation.

The By-Laws shall determine whether and to what extent the accounts and books of this Corporation, or any of them, shall be open to the inspection of the stockholders; and no stockholder shall have any right of inspecting any account, or book, or document of this Corporation, except as conferred by Law or the By-Laws, or by resolution of the stockholders.

The stockholders and directors shall have power to hold their meetings and keep the books, documents and papers of the corporation outside the State of Delaware, at such places as may be from time to time designated by the By-Laws or by resolution of the stockholders or directors, except as otherwise required by the laws of Delaware.

It is the intention that the objects, purposes and powers specified in the third paragraph hereof shall, except where otherwise specified in said paragraph, be in nowise limited or restricted by reference to or inference from the terms of any other clause or paragraph in this Certificate of Incorporation, but that the objects, purposes and powers specified in the third paragraph and in each of the clauses or paragraphs of this charter shall be regarded as independent objects, purposes and powers.

IN WITNESS WHEREOF, I (we) have hereunto set my (our) hand(s) and seal this 17th day of August, 1992.



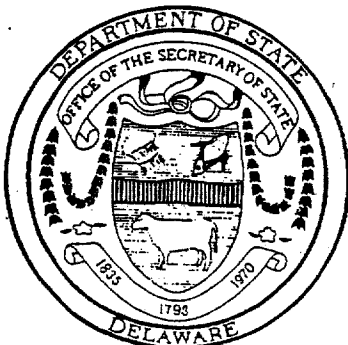
Julie Espinoza, Incorporator




Office of Secretary of State

I, MICHAEL RATCHFORD, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY VISIONS LONG DISTANCE AMERICA INC. IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE DATE SHOWN BELOW.

* * * * *



612261100


Michael Ratchford, Secretary of State

AUTHENTICATION: *3592796

DATE: 09/17/1992

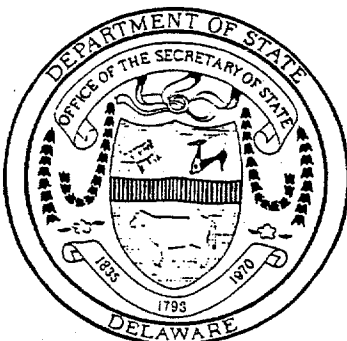


Office of Secretary of State

I, MICHAEL RATCHFORD, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "VISIONS LONG DISTANCE AMERICA INC." FILED IN THIS OFFICE ON THE NINETEENTH DAY OF AUGUST, A.D. 1992, AT 9 O'CLOCK A.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO KENT COUNTY RECORDER OF DEEDS ON THE NINETEENTH DAY OF AUGUST, A.D. 1992 FOR RECORDING.

* * * * *



Michael Ratchford

SECRETARY OF STATE

AUTHENTICATION: *3563493

DATE: 08/19/1992

922325117

Frontier Communications of America, Inc.

Exhibit IV

Tennessee Secretary of State Certification

Secretary of State
Division of Business Services
312 Eighth Avenue North
Floor, William R. Snodgrass Tower
Nashville, Tennessee 37243

DATE: 02/05/01
REQUEST NUMBER: 4110-2480
TELEPHONE CONTACT: (615) 741-2286
FILE DATE/TIME: 02/02/01 1151
EFFECTIVE DATE/TIME: 02/02/01 1151
CONTROL NUMBER: 0402842

TO:
CSC UNITED STATES CORP CO
80 STATE ST

ALBANY, NY 12207-2543

RE:
FRONTIER COMMUNICATIONS OF AMERICA, INC.
APPLICATION FOR CERTIFICATE OF AUTHORITY -
FOR PROFIT

WELCOME TO THE STATE OF TENNESSEE. THE ATTACHED CERTIFICATE OF
AUTHORITY HAS BEEN FILED WITH AN EFFECTIVE DATE AS INDICATED ABOVE.

A CORPORATION ANNUAL REPORT MUST BE FILED WITH THE SECRETARY OF STATE
ON OR BEFORE THE FIRST DATE OF THE FOURTH MONTH FOLLOWING THE CLOSE OF THE
CORPORATION'S FISCAL YEAR. PLEASE PROVIDE THIS OFFICE WITH WRITTEN
NOTIFICATION OF THE CORPORATION'S FISCAL YEAR. THIS OFFICE WILL MAIL THE
REPORT DURING THE LAST MONTH OF SAID FISCAL YEAR TO THE CORPORATION AT THE
ADDRESS OF ITS PRINCIPAL OFFICE OR TO A MAILING ADDRESS PROVIDED TO THIS
OFFICE IN WRITING. FAILURE TO FILE THIS REPORT OR TO MAINTAIN A REGISTERED
AGENT AND OFFICE WILL SUBJECT THE CORPORATION TO ADMINISTRATIVE REVOCATION
OF ITS CERTIFICATE OF AUTHORITY.

WHEN CORRESPONDING WITH THIS OFFICE OR SUBMITTING DOCUMENTS FOR
FILING, PLEASE REFER TO THE CORPORATION CONTROL NUMBER GIVEN ABOVE.

FOR: APPLICATION FOR CERTIFICATE OF AUTHORITY -
FOR PROFIT

ON DATE: 02/05/01

FROM:
CSC/USC (80 STATE ST)
80 STATE STREET

ALBANY, NY 12207-2543

	FEE	FEE
RECEIVED:	\$600.00	\$0.00
TOTAL PAYMENT RECEIVED:	\$600.00	

RECEIPT NUMBER: 00002802500
ACCOUNT NUMBER: 00269941



Riley C Darnell

RILEY C. DARNELL
SECRETARY OF STATE

State of Tennessee



Department of State

Corporate Filings
312 Eighth Avenue North
6th Floor, William R. Snodgrass Tower
Nashville, TN 37243

APPLICATION FOR
CERTIFICATE OF AUTHORITY
(FOR PROFIT)

For Office Use Only

FILED

21 FEB -2 AM 11:51

Pursuant to the provisions of Section 48-25-103 of the Tennessee Business Corporation Act, the undersigned corporation hereby applies for a certificate of authority to transact business in the State of Tennessee, and for that purpose sets forth:

1. The name of the corporation is FRONTIER COMMUNICATIONS OF AMERICA, INC.

*If different, the name under which the certificate of authority is to be obtained is _____

[NOTES: The Secretary of State of the State of Tennessee may not issue a certificate of authority to a foreign corporation for profit if its name does not comply with the requirements of Section 48-14-101 of the Tennessee Business Corporation Act. *If obtaining a certificate of authority under a different corporate name, an application for registration of an assumed corporate name must be filed pursuant to Section 48-14-101(d) with an additional \$20.00 fee.]

2. The state or country under whose law it is incorporated is Delaware

3. The date of its incorporation is August 19, 1992 (must be month, day, and year), and the period of duration, if other than perpetual, is _____

4. The complete street address (including zip code) of its principal office is

180 South Clinton Avenue, Rochester, NY 14646

Street

City

State/Country

Zip Code

5. The complete street address (including the county and the zip code) of its registered office in Tennessee and the name of its registered agent is

2908 Poston Avenue, Nashville, TN

37203

Street

City

State/Country

Zip Code

Registered Agent Corporation Service Company

6. The names and complete business addresses (including zip code) of its current officers are: (Attach separate sheet if necessary.)
See attached officers/directors rider

7. The names and complete business addresses (including zip code) of its current board of directors are: (Attach separate sheet if necessary.)
See attached officers/directors rider

8. If the corporation commenced doing business in Tennessee prior to the approval of this application, the date of commencement (month, day and year) _____

9. The corporation is a corporation for profit.

10. If the document is not to be effective upon filing by the Secretary of State, the delayed effective date/time is _____ (date), _____ (time).

[NOTE: A delayed effective date shall not be later than the 90th day after the date this document is filed by the Secretary of State.]

[NOTE: This application must be accompanied by a certificate of existence (or a document of similar import) duly authenticated by the Secretary of State or other official having custody of corporate records in the state or country under whose law it is incorporated. The certificate shall not bear a date of more than two (2) months prior to the date the application is filed in this state.]

1/31/01

Signature Date

Assistant Secretary

Signer's Capacity

FRONTIER COMMUNICATIONS OF AMERICA, INC.

Name of Corporation

Barbara J. LaVerdi

Signature

Barbara J. LaVerdi

Name (typed or printed)

Officers and Directors Report**Frontier Communications of America, Inc.**

Joseph P. Clayton
Bus Address:
180 South Clinton Avenue, Rochester, NY 14646

Chief Executive Officer

James G. Dole
Bus Address:
180 South Clinton Avenue, Rochester, NY 14646

Treasurer and Director

Donna L. Reeves-Collins
Bus Address:
180 South Clinton Avenue, Rochester, NY 14646

Vice President

Josephine S. Trubek
Bus Address:
180 South Clinton Avenue, Rochester, NY 14646

Secretary

Barbara J. LaVerdi
Bus Address:
180 South Clinton Avenue, Rochester, NY 14646

Assistant Secretary

Richard N. Kappler
Bus Address:
180 South Clinton Avenue, Rochester, NY 14646

Assistant Treasurer

James F. Mulcahy
Bus Address:
180 South Clinton Avenue, Rochester, NY 14646

Assistant Treasurer

Susan I. Sipperley
Bus Address:
180 South Clinton Avenue, Rochester, NY 14646

Assistant Treasurer

Robert L. Barrett
Bus Address:
180 South Clinton Avenue, Rochester, NY 14646

Exec. Vice President and Director

Joseph P. Clayton
Bus Address:
180 South Clinton Avenue, Rochester, NY 14646

President and Director

State of Delaware
Office of the Secretary of State

PAGE 1

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "FRONTIER COMMUNICATIONS OF AMERICA, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE ELEVENTH DAY OF JANUARY, A.D. 2001.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE BEEN PAID TO DATE.



Harriet Smith Windsor

Secretary of State

2307210 8300

AUTHENTICATION: 0910449

010017794

DATE: 01-11-01



The State of Texas
Secretary of State

CERTIFICATE OF AUTHORITY

OF

FRONTIER COMMUNICATIONS OF AMERICA, INC.
CHARTER NUMBER 00137058

THE UNDERSIGNED, AS SECRETARY OF STATE OF THE STATE OF TEXAS,
HEREBY CERTIFIES THAT THE ATTACHED APPLICATION OF THE ABOVE ENTITY FOR
A CERTIFICATE OF AUTHORITY TO TRANSACT BUSINESS IN THIS STATE HAS BEEN
RECEIVED IN THIS OFFICE AND IS FOUND TO CONFORM TO LAW.

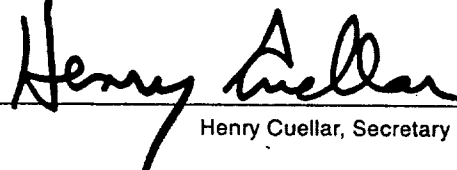
ACCORDINGLY THE UNDERSIGNED, AS SUCH SECRETARY OF STATE, AND BY
VIRTUE OF THE AUTHORITY VESTED IN THE SECRETARY BY LAW, HEREBY ISSUES
THIS CERTIFICATE OF AUTHORITY TO TRANSACT BUSINESS IN THIS STATE FROM
AND AFTER THIS DATE, FOR THOSE PURPOSES SET FORTH IN THE APPLICATION,
UNDER THE NAME OF

FRONTIER COMMUNICATIONS OF AMERICA, INC.

DATED FEB. 13, 2001

EFFECTIVE FEB. 13, 2001




Henry Cuellar, Secretary of State

Frontier Communications of America, Inc.

Exhibit V

Financial Statements

The Applicant possesses the financial capability to provide the requested service. The Applicant is a wholly owned subsidiary of Global Crossing North America, Inc., which is a wholly owned subsidiary of Global Crossing, Ltd. Global Crossing, Ltd. and Global Crossing North America, Inc. are in the process of selling the Applicant together with its immediate parent, Frontier Subsidiary Telco Inc. to Citizens Communications Company. Both before and after the consummation of this transaction, the Applicant will be able to rely on the financial resources of the parent, which are significant. A copy of the most recent SEC 10K filings of Global Crossing and Citizens Communications Company are provided in this exhibit.

Frontier Communications of America, Inc.
Statement of Financial Capability

The Applicant possesses the financial capability to provide the requested service. The Applicant will be able to rely on the financial resources of its parent company, Global Crossing, and Citizens Communications Company, which are significant. A copy of the most recent SEC 10K filing of Global Crossing is provided in this Exhibit. Excerpts from Citizens Communications Company's SEC 10K are also provided in this Exhibit. Citizens Communications Company's entire SEC 10K may be obtained by going to

(1) Citizens investor relations website <http://www.onlineproxy.com/citizens/2001/ar/10-k.html> or

(2) the Edgar (SEC) website

<http://www.sec.gov/Archives/edgar/data/20520/000002052001000002/0000020520-01-000002-0001.txt>

A review of the financial statements demonstrates that the Company possesses the necessary financial capability. Highlights include:

Global Crossing:

2000 Revenues:	\$3.8 billion
Current Assets:	\$3.2 billion
Current Ratio:	0.7
Total Assets:	\$30.2 billion

Citizens Communications Company:

2000 Revenues:	\$1.8 billion
Current Assets:	\$2.3 billion
Current Ratio:	2.3
Total Assets:	\$7.0 billion

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

**FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

(Mark One)

- ☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2000

OR

- ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 001-16201

GLOBAL CROSSING LTD.

BERMUDA

(State or other jurisdiction of
incorporation or organization)

98-0189783

(I.R.S. Employer Identification No.)

**WESSEX HOUSE
45 REID STREET
HAMILTON HM12, BERMUDA**
(Address Of Principal Executive Offices)

(441) 296-8600

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

Common Stock, par value \$.01 per share

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

The aggregate market value of the common stock of the Registrant held by non-affiliates of the Registrant on March 1, 2001, based on the closing price of the common stock reported on the New York Stock Exchange on such date of \$16.19 per share, was \$12.596 billion.

The number of shares of the Registrant's common stock, par value \$0.01 per share, outstanding as of March 1, 2001, was 907,555,814, including 22,033,758 treasury shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's proxy statement for the 2001 Annual General Meeting of Shareholders, which is expected to be filed with the Securities and Exchange Commission no later than 120 days following the end of the fiscal year covered by this report, are incorporated by reference into Part III hereof.

GLOBAL CROSSING LTD. AND SUBSIDIARIES

For The Year Ended December 31, 2000

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PART I

In this Annual Report on Form 10-K, "GCL" refers to Global Crossing Ltd. and the "Company," "Global Crossing," "we," "our" and "us" refer to GCL and its consolidated subsidiaries (unless the context otherwise requires).

Throughout this Annual Report on Form 10-K, references to "dollars" and "\$" are to United States dollars.

ITEM 1. BUSINESS

Introduction

We provide integrated telecommunications solutions over the world's first integrated global Internet Protocol ("IP")-based fiber-optic network, which will have more than 100,000 route miles, reaching four continents, 27 countries and more than 200 major cities by mid-2001. We serve many of the world's largest corporations, providing a full range of managed data and voice services. We operate throughout the Americas, Europe, and Asia/Pacific regions and provide services in Asia through our subsidiary, Asia Global Crossing Ltd. (NASDAQ: AGCX).

Our network is currently 85% complete and includes 1.7 million fiber miles, 249 points of presence in 25 countries, and metropolitan networks in 19 major cities.

Our common stock is traded on the New York Stock Exchange under the symbol "GX" and we are included in the S&P 500 index. You may visit us at our website located at www.globalcrossing.com.

Business Development

Global Crossing's strategy is to be the premier provider of managed broadband services to global enterprises. We have adopted this strategy to take advantage of our extensive IP-based fiber-optic network. Through our network we offer our customers an exceptional combination of global reach and bandwidth. In addition, we own and operate substantially all of our network, which enables us to monitor all traffic and thereby optimize traffic flow and respond quickly as our customers' telecommunication needs and demands change.

Since our inception in 1997, we have executed a major network construction program and have entered into several strategic transactions in order to enhance our network, service offerings and position in the marketplace. Strategic transactions prior to 2000 were as follows:

Global Marine Systems:

On July 2, 1999, we acquired Cable & Wireless Global Marine, the world's largest and most experienced submarine cable maintenance and installation company, for approximately \$908 million. The acquisition of this business, which we renamed Global Marine Systems Limited ("Global Marine"), increased our ability to control the installation and maintenance of our undersea global network on a cost-effective basis. The acquisition also allowed us to offer our carrier customers a combination of maintenance, installation, and transmission services not previously available from a single provider.

Frontier Corporation:

On September 28, 1999, we acquired Frontier Corporation ("Frontier") in a merger transaction valued at over \$10 billion. Frontier was one of the largest long distance telecommunications companies in the United States and one of the leading providers of facilities-based integrated communications and Internet services. At the time of the Frontier acquisition we operated our Atlantic Crossing (AC-1) cable and were in the process of building cables to provide services within Europe, across the Pacific Ocean and

to Central and South America. Frontier was in the process of completing its own 20,000-mile fiber optic network within the United States. By acquiring Frontier, we obtained connectivity within North America as well as integrated connectivity among our Atlantic, Central and South American, European and Pacific regions. Frontier's network increased our network and service capabilities and the reach of our systems. The acquisition also provided operating systems and personnel with the expertise needed for us to make the transition from a construction-based wholesaler of network capacity to a provider of value-added telecommunications services.

Racal Telecom:

On November 24, 1999, we acquired Racal Telecom, a group of wholly owned subsidiaries of Racal Electronics plc, for approximately \$1.6 billion in cash. Racal Telecom owns one of the most extensive fiber telecommunications networks in the United Kingdom, consisting of approximately 4,500 route miles of fiber and reaching more than 2,000 cities and towns. Similar to our Frontier acquisition, Racal provided a broad fiber optic network as well as personnel and systems which were used to launch our network and services within Europe, thereby further increasing our network capabilities and reach.

Asia Global Crossing:

The Asia Global Crossing joint venture was established on November 24, 1999. We contributed to the joint venture our development rights in East Asia Crossing ("EAC"), an approximately 11,000 mile undersea network that will link several countries in eastern Asia, and our then 58% interest in Pacific Crossing ("PC-1"), an undersea system connecting the United States and Japan. Softbank Corp. and Microsoft Corporation each contributed \$175 million in cash to Asia Global Crossing and together committed to purchases of at least \$200 million in capacity on our network over a three-year period. Softbank and Microsoft have also agreed to use Asia Global Crossing's network in the region, subject to specified conditions.

On October 12, 2000, Asia Global Crossing completed its initial public offering of 68,000,000 shares of Class A common stock at a price to the public of \$7.00 per share as well as the issuance of \$408 million of 13.375% Senior Notes due 2010. Net proceeds from the IPO and subsequent exercise of the underwriters' over-allotment option were \$455 million, after deducting the underwriters' discount, commissions and costs. Concurrently with the public offering, we contributed to Asia Global Crossing our 50% interest in Hutchison Global Crossing and our 49% interest in Global Access Limited, both of which are described below. After giving effect to the initial public offering and related transactions, our economic interest in Asia Global Crossing was reduced to 56.9%.

During 2000, we made an additional strategic acquisition as well as two dispositions of non-core businesses to further enhance our offerings and refine our focus on becoming a premier provider of managed broadband services to global enterprises. Those transactions are as follows:

IXnet/IPC:

On June 14, 2000, we acquired IXnet, Inc. and its parent company, IPC Communications, Inc. in a merger transaction valued at \$3.2 billion. IXnet developed, built, and operates the first global Internet Protocol-Virtual Private Network ("IP-VPN") providing specialized voice and data services specifically for members of the financial services community. The IXnet/IPC acquisition provided us with services, expertise, personnel, and access to a desirable customer base. In the acquisition, GCL issued 1.184 shares of its common stock for each outstanding share of common stock of IXnet and 5.417 shares of its common stock for each outstanding share of common stock of IPC, for a total of 58.2 million shares of GCL common stock. The gross purchase price of \$3.2 billion reflects a GCL stock price of \$49.77 per share, the average price during a window period encompassing February 22, 2000, the date of signing of the definitive merger agreement, and includes long-term debt assumed and the fair market value of options issued by GCL. The purchase price and net liabilities assumed of \$3.4 billion was allocated to goodwill and is being amortized on the straight-line method over 10 years.

Incumbent Local Exchange Carrier:

On July 11, 2000, we entered into an agreement to sell our incumbent local exchange carrier ("ILEC") business segment, acquired in the acquisition of Frontier, to Citizens Communications Company for \$3,650 million in cash, subject to adjustments concerning closing date liabilities and working capital balances. We also entered into a strategic agreement with Citizens Communications pursuant to which we will provide long distance services to the ILEC. The transaction, which is subject to both federal and state regulatory approvals, is expected to close in the Summer of 2001. The disposition of the ILEC is intended to streamline our North American operations, re-deploy capital into higher growth businesses, and refine our focus on building and delivering managed services to global enterprises on the Global Crossing Network.

GlobalCenter:

In January 2001, we sold our GlobalCenter web hosting business to Exodus Communications, Inc. for 108.2 million Exodus common shares, representing approximately 20.0% of its outstanding shares at the effective time of the merger. As of that date, the value of the transaction was approximately \$1.95 billion. As part of the transaction, Exodus also committed to a 10-year network services agreement under which it will purchase from us 50% or more of all of its future network capacity needs outside of Asia. Exodus and Global Crossing also entered into a long-term global marketing services agreement under which we will offer Exodus' web hosting services. In addition, Exodus and Asia Global Crossing have formed a joint venture to provide complex web hosting and managed services in Asia. Exodus owns 67% and Asia Global Crossing owns 33% of the new venture, which will purchase at least 60% of its networking needs from Asia Global Crossing. The transactions with Exodus are intended to allow us to capitalize on the fast-growing Internet intermediary market by providing managed broadband services to that market without the significant investments that would be required to compete successfully in that market.

Other Recent Developments

On January 29, 2001, we completed a private offering of \$1 billion in aggregate principal amount of 8.70% Senior Notes due 2007. The net proceeds from the offering have been used to refinance existing indebtedness consisting of term loans and revolving loans under our corporate credit facility.

In October 2000, we repaid in full the approximately \$768 million of borrowings remaining outstanding under credit facilities incurred in connection with our purchase of Racal Telecom in November 1999. The source of funds for the debt repayment was a new debt facility entered into by our subsidiary, Frontier Subsidiary Telco Inc. The new facility totals \$1 billion, has a maximum maturity of 18 months, and will remain outstanding until the completion of our sale of the ILEC.

Concurrently with its initial public offering in October 2000, Asia Global Crossing issued \$408 million of its 13.375% Senior Notes due 2010. Asia Global Crossing intends to use the approximately \$863 million in aggregate net proceeds from this offering and its initial public offering of common stock to build its network, make investments in telecommunications and Internet companies and repay some of its indebtedness and for general corporate purposes.

Business Strategy

As a result of our own network construction and our strategic acquisitions and dispositions, we have created a network that offers an exceptional combination of global reach and bandwidth. Since we own and operate substantially our entire network, we can monitor all traffic and thereby optimize traffic flow and respond quickly as our customers' telecommunication needs and demands change. Our ongoing strategy is to maximize the value of this asset as we continue to transform ourselves from a construction-based wholesaler of network capacity to a value-added telecommunication services provider.

We expect that the evolving needs of global enterprises, as well as trends in Internet traffic and deregulation, will result in a rapid growth in demand for global bandwidth. Global enterprises are moving many of their operations to network-based applications in order to obtain optimal efficiency and cost savings. These enterprises are using networks to interact internally as well as with partners, customers and vendors. IP and other forms of data applications are rapidly replacing traditional corporate voice networks. In addition, deregulation is spurring an increase in the number of carriers offering telecommunication services and therefore requiring capacity for their networks. Internet traffic continues to grow at a rapid pace and non-U.S. Internet users now exceed U.S. users, although most of the content being accessed by users outside the U.S. is located within the U.S. We expect demand for additional capacity to grow along with the number of Internet users and content providers.

We can provide our services on a cost-effective basis. Of the more than 100,000 miles of cable that will comprise the Global Crossing Network by mid-2001, we will have constructed 75,000 miles, 20,000 miles have been acquired from Frontier, and the remaining 6,000 miles have been acquired through other acquisitions or joint ventures. Our network uses advanced architecture based on dense wave division multiplexing ("DWDM") and packet switching technologies, resulting in far greater bandwidth and fewer network components than that associated with legacy networks. In addition, the network acquired in the Frontier transaction was purchased at a low cost after taking into account the anticipated sale proceeds of \$3,650 million for the ILEC and the value realized by Global Crossing in the GlobalCenter transaction.

The "last mile" links to our network are local loop circuits. These circuits allow our network to reach the buildings in which our customers are located. We can arrange local loop service to any of our points of presence ("PoPs") either through the local exchange carrier or via our own fiber optic local loops, which are located in 19 major cities in the United States, Europe and Asia. We have plans to build an additional 21 such Metro Networks in the United States, Europe, Latin America and Asia in 2001. These Metro Networks speed up provisioning and enable us to deliver higher overall reliability since they give us end-to-end control over the network. In addition, Metro Networks facilitate the provision of advanced features and services, such as Gigabit Ethernet connections, which would not be possible in a legacy network environment.

Services

General

We provide services in two principal segments. Our telecommunications services segment offers a variety of integrated telecommunications services through our global fiber optic network as well as systems acquired from our mergers and acquisitions. Our installation and maintenance services segment, consisting of our Global Marine business, installs and maintains undersea fiber optic cable systems for carrier customers worldwide.

Telecommunications Services

We provide a variety of integrated telecommunications and IP-based services designed to meet the communications needs of large, global enterprises, as well as telecommunication carriers, with bandwidth-intensive applications and international requirements. We provide domestic and international data and voice services, Internet-based services, structured bandwidth services and other communications services, including the following:

- *Broadband Services:* Point-to-point digital connections, including private line and wavelength services as well as IRUs (indefeasible rights of use). Payment for purchases of capacity or dark fiber (i.e., optical fiber that has not been equipped with the electronic components necessary for telecommunications transmission) is typically made in advance of activation, although in some cases a customer's payments are made in installments over two to four years. For short-term broadband services, customers are typically billed on a monthly basis.
- *Virtual Private Network ("VPN"):* Customizable voice and/or data network solutions in which our customers create a private network within the Global Crossing Network, without the need to purchase

dedicated private facilities to and from each of their locations. Customers have the flexibility to change capacity requirements between points and otherwise to reconfigure their VPNs over time.

- *Data Services:* Asynchronous Transfer Mode ("ATM") and Frame Relay services.
- *Voice Services:* Switched and dedicated outbound voice services for local, domestic, and international traffic for the commercial and wholesale markets, including additional features such as toll free and call center services.
- *Conferencing Services:* Audio, video and Web-based conferencing services.
- *Internet Access:* Direct connections to the Internet.
- *Metro Services:* Intra-city SONET or SDH rings carrying on-net access circuits, with metro private lines and dedicated customer networks scheduled to become available later in 2001.
- *Web Hosting Services:* A variety of data content distribution services, complex Web content and application hosting services, and consulting and professional services, all of which we can offer through our co-marketing arrangement with Exodus Communications, Inc.

Installation and Maintenance Services

Our cablesheets and subsea engineering division, Global Marine, operates the largest fleet of cable laying and maintenance vessels in the world, currently comprising 23 cable ships, three installation barges and 22 submersible vehicles. During the year 2000, Global Marine laid and, where appropriate, buried more than 19,000 miles of cable. Global Marine also maintains more than a third of the world's submarine cable in terms of length.

Global Marine's maintenance business is centered around cable system security. Despite optimum route planning and installation, cables are sometimes damaged on the seabed. The maintenance cable ship must be able to retrieve a partially buried cable down to two thousand meters as well as retrieve and repair a cable from the furthest ocean depths. With cable in water depths of up to nine thousand meters, the cable ship is a specialized vessel designed to operate continuously in the extreme weather conditions found in the major cable routes around the world.

Global Marine's installation business is dependent on the number of submarine telecommunication cable systems annually installed worldwide. Such systems traverse many types of seabed, including active continental shelves, flat deep-water abyssal plains and mountainous oceanic ridges. The objective when installing cable is to deploy it in such a way as to minimize the risk of damage to the cable either from external threats or from natural wear effects caused by ocean currents and tides. The cable can either be buried into the seabed if protection is required from threats such as fishing and anchoring or it can simply be laid across the surface of the seabed.

Discontinued Operations

The discontinued operations referred to in the financial statements included in this Annual Report on Form 10-K are comprised of our GlobalCenter web hosting subsidiary, which we sold to Exodus in January 2001, and our ILEC business segment, which we expect to sell to Citizens Communications in the Summer of 2001 pursuant to the stock purchase agreement dated July 11, 2000.

Prior to the sale to Exodus, our GlobalCenter subsidiary offered a combination of digital distribution services, server co-location, equipment sales, consulting services and professional expertise aimed at supporting customers' Internet operations.

Our ILEC business segment comprises one of the largest local exchange service providers in the United States. This segment consists of 34 regulated telephone operating subsidiaries in 13 states, serving in excess of

one million access lines. Such services are marketed under the name Frontier Telephone, a Frontier Communications Company. The local exchange carriers provide local, toll, access and resale services; sell, install and maintain customer premises equipment; and provide directory services. Our ILEC business segment excludes local services provided by our subsidiaries authorized as competitive local exchange carriers ("CLECs"), which services are included in our telecommunications services segment. Generally speaking, ILECs tend to be the original provider of local exchange service in a given area and, accordingly, receive a greater degree of regulation than do CLECs and other carriers.

Sales and Marketing

Our business strategy includes focusing our sales and marketing efforts towards global enterprises. We believe that IP-based solutions including virtual private networks ("VPNs") and voice over IP ("VoIP") will be the fastest growing sector of the estimated \$130 billion global data market in 2003. As a result, our sales and marketing activities are targeted toward companies requiring significant data and broadband services due to global presence and the nature of their operations. We intend to focus our sales effort on offering appropriately tailored services to approximately 7,500 global enterprises within seven newly defined sales channels.

The sales channels we are focusing our ongoing sales and marketing efforts on are as follows:

- *Carrier Markets.* We offer telecommunications carriers a fiber optic network providing an exceptional combination of global reach and bandwidth. Our more than 100,000 mile fiber optic cable network is 85% complete and is expected to become fully operational in mid-2001. As an owner and operator, we offer carriers a broad range of services at a low cost and the ability to tailor needs based on geographical demands of the customer. For example, a carrier may experience a change in geographical demand, which will require the routes used by the carrier to be reassigned. Because we own and operate a global network, we can reassign the routes used by the carrier without any loss to the carrier's investment. There are approximately 1,000 carriers in this approximately \$50 billion market.
- *Financial Markets.* The financial services market is an approximately \$104 billion market which represents approximately 20% of worldwide business network expenditures. IXnet, which we acquired in June of 2000 and subsequently renamed Global Crossing Financial Markets, developed, built, and operates the world's first IP-VPN network specifically for the financial services community. Global Crossing Financial Markets' network is a single, secure environment in which electronic trading, market data, and straight-through processing can be transmitted. Global Crossing Financial Markets' customers include some of the largest members of the financial services community, which is comprised of approximately 2,000 strategic accounts.
- *Media and Entertainment Markets.* Content creation within the media and entertainment industry is transitioning from current methods to digital production, online rendering, digital animation, and digital special effects. The Federal Communications Commission has mandated digital broadcasts by 2006. The distribution channels of the industry will have to move extremely large data files, which they are not currently prepared to do on an efficient and cost-effective basis. We believe this industry will require large amounts of capacity in order to transition into the world of digital production. Furthermore, since a single production requires the coordinated services of many disparate enterprises and significant content distribution channels, we believe the media and entertainment industry could take advantage of an extranet similar to that built by Global Crossing Financial Markets for the financial services community. We plan on entering this market in its formative stages and have targeted approximately 1,500 strategic accounts.
- *NextGen Markets.* Our focus on the NextGen market leverages our broadband network to help us capture a greater share of the market for Internet intermediaries such as Internet service providers ("ISPs") and application service providers ("ASPs"). Since it is less expensive for these

intermediaries to outsource than to build a network, we believe the members of this market will increasingly look to integrated telecommunications providers to fulfill their broadband requirements. In connection with the sale of GlobalCenter, we entered into an agreement with Exodus, an Internet hosting company, in which Exodus and Global Crossing will co-market each other's services. Furthermore, Exodus will purchase at least 50% of its network services outside of Asia from Global Crossing, and at least 60% of its network services in Asia from Asia Global Crossing. There are approximately 1,000 companies in this market.

- *MNC Markets.* We include in this sales channel all global enterprises which do not fall into one of the four categories listed above. We are pursuing this approximately \$238 billion market with a specialized sales force knowledgeable in the managed broadband needs of multinational corporations. We have standardized and tailored a specific set of services for these companies. Furthermore, we are entering into strategic partnerships with members of the information technology ("IT") consulting community whereby Global Crossing and our partners co-market Global Crossing's services as part of an integrated IT outsourcing recommendation. We have targeted approximately 2,000 strategic accounts within this sales channel.
- *Government Markets.* Government organizations represent a significant market for the provision of managed broadband services. The combined government market in the United States and Europe is approximately \$15 billion. Government operations are well suited for an IP-VPN, which can enable government employees to access secure information, data services, voice services, and the Internet through a single connection. The Company has created such a network for the British government by connecting all British embassies worldwide through an IP-VPN.
- *Bandwidth Markets.* The trading of bandwidth via trading desks and brokers is a new industry phenomenon. While this market is still in its formative stages, we believe bandwidth trading will develop into an important sales channel for some of our services in the future. In addition, the knowledge we gain from pursuing this sales channel should assist us in formulating more creative pricing packages for our customers, including futures and options. For example, through this group we can develop offerings to provide users of leased lines the opportunity to purchase services from Global Crossing at a future price before their current contract with another carrier expires. This will provide our customers with immediate cost savings and will reduce provisioning issues by increasing installation lead-time.

In 2000, we announced the formation of Global Crossing Solutions. During the past several years, many global enterprises have been investing substantially in building IT systems in order to remain competitive in the growing world of e-commerce and the Internet. Although these firms must compete globally, their networks are often comprised of disjointed and regionally based systems that provide the user minimal control over the overall system and its traffic. Problems that occur on the network are extremely difficult to isolate since the responsibility for such a fragmented network is spread among various providers. Our Global Crossing Solutions group has identified the opportunity to be a single source provider of complex global outsourcing across all of our sales channels. The development and adoption of "e-business" applications has created a demand for seamless, global networks. The Global Crossing Solutions group provides telecommunications solutions that are intended to enable global enterprises to maximize the value of their e-business applications by providing the following:

- *An integrated global fiber optic network.* We are a single point of responsibility for the installation, maintenance and operation of services and equipment over our network.
- *Ability to focus on core competencies.* By alleviating our customers' need to invest in and maintain new networks and systems, our customers can focus on their core competencies in operating their businesses.
- *Reduce capital expense and operating costs.* By alleviating our customers' need to invest in and maintain new networks and systems, our customers are also able to reduce their capital expenditures and operating costs.

- *Minimize risk of changing technologies.* By outsourcing their needs through us, our customers can minimize their risk of technological obsolescence.
- *Competitive pricing.* Since we own and operate substantially our entire network, we do not have to buy or lease significant capacity to provide these services. As a result, we are able to offer our services on competitive terms.

The Global Crossing Network

The Global Crossing Network has been engineered from conception to be a state of the art telecommunications network providing seamless, broadband, global city-to-city and business-to-business connectivity through a combination of subsea cables, national and international networks and metropolitan networks with connections to points of presence in major cities throughout the world. This high capacity fiber optic network enables us to offer an extensive line of Internet, data, and voice services to telecommunications carriers and business customers around the world.

As currently planned, our network will extend over 100,000 route miles to connect over 200 major metropolitan cities in 27 countries. In addition, we have connected to the network local access rings in 19 major cities in the United States, Europe and Asia and plan to do so in an additional 21 cities in the United States, Europe, Latin America and Asia in 2001.

The Long Haul Network

The fiber optic cable systems that we have deployed connect, on an integrated basis, over 200 major metropolitan markets in 27 countries on four continents. Our network is 85% complete and includes 1.7 million fiber miles, 249 points of presence in 25 countries, and metropolitan networks in 19 major cities. The following are the in-service systems currently comprising the long haul portion of the Global Crossing Network:

- Atlantic Crossing-1 and Atlantic Crossing-2, together referred to as “AC”, undersea cable systems integrated in a multi-ring network architecture and together spanning approximately 13,200 route miles and connecting the United States with Europe;
- North American Crossing, referred to as “NAC”, an approximately 20,000 route mile terrestrial system connecting major cities in the United States;
- Pan European Crossing, referred to as “PEC”, an approximately 11,000 route mile primarily terrestrial system connecting major European cities to AC;
- Global Crossing United Kingdom, referred to as “GC UK,” an approximately 4,650 route mile terrestrial network in the United Kingdom operated in conjunction with PEC;
- Mid-Atlantic Crossing, referred to as “MAC”, an approximately 4,700 route mile undersea system connecting the eastern United States and the Caribbean;
- PAC, an approximately 6,000 route mile primarily undersea system connecting the western United States, Mexico, Panama, Venezuela and the Caribbean;
- Mexican Crossing, an approximately 2,200 mile terrestrial system connecting Mexico City, Guadalajara, Mazatlan and Monterrey;
- Pacific Crossing, referred to as “PC-1”, an approximately 13,000 route mile undersea system connecting the United States and Japan;
- Global Access Ltd., referred to as “GAL”, an approximately 1,200 route mile terrestrial system connecting a number of major cities in Japan to PC-1; and
- Hutchison Global Crossing, referred to as “HGC”, an approximately 450 route mile terrestrial network in Hong Kong, connecting to East Asia Crossing.

The following systems are in varying stages of development:

- South American Crossing, referred to as “SAC”, an approximately 10,600 mile undersea and terrestrial system that connects the South American continent to the rest of the Global Crossing Network via MAC and PAC. Segments of SAC connecting Brazil and Argentina to the rest of the Global Crossing Network were completed in the fourth quarter of 2000. The entire system is scheduled to become operational in the second quarter of 2001;
- Trans Andean Crossing, referred to as “TAC,” an approximately 1,600 mile terrestrial system connecting Las Toninas, Buenos Aires, Rosario, Cordoba, Mendoza, Santiago and Valparaiso.
- East Asia Crossing, referred to as “EAC”, an approximately 11,900 mile undersea system that connects PC-1 from Japan with landing sites in Hong Kong and, later in 2001, Taiwan and Korea. In addition, EAC is expected to connect the Philippines, Singapore and Malaysia by the first half of 2002 and, if and when regulations permit, China; and
- Digital Crossing, Asia Global Crossing Taiwan, Dacom Crossing and Starhub Asia Global Crossing, backhaul and/or terrestrial networks in the Philippines, Taiwan, Korea and Singapore, respectively. These systems are scheduled for completion to support the related subsea systems.

Although most of these fiber optic cable systems are wholly owned, some are being developed and operated through joint ventures with one or more partners. Specifically, we are constructing parts of the terrestrial portion of SAC through joint venture arrangements, and terrestrial connectivity to PAC in Mexico is through a joint venture. In addition, we have an approximately 56.9% economic interest in our Asia Global Crossing subsidiary, which in turn has a 100% interest in EAC, a 64.5% interest in PC-1, a 50% interest in HGC, a 49% interest in GAL, a 60% interest in Asia Global Crossing Taiwan, a 49% interest in Dacom Crossing, a 50% interest in Starhub Asia Global Crossing and a 40% interest in Digital Crossing.

In addition to developing the above systems, we have been selected to provide marine operations and to act as project manager of Africa ONE, an estimated \$1.6 billion cable system consisting of a self-healing ring around the continent of Africa. However, we do not intend to make an equity investment in this system.

Our long haul telecommunications network is monitored 24 hours a day, seven days a week by a combination of our global network operations center and our four regional operating centers. The global network operations center is located in London, England and performs worldwide monitoring and network management for the subsea systems. Regional operations centers are located in Detroit, Michigan; London, England; Mexico City, Mexico; and Tokyo, Japan and provide monitoring and maintenance of the terrestrial networks.

Our six customer service centers serve as the primary interface for customer order receipt, service delivery order management and billing operations. These centers are the entry point for launching work orders that result in the activation of customer service via work centers throughout the Global Crossing Network. European orders are handled by our customer service centers in Glasgow, Scotland and in London, England; North American orders are handled by our Detroit, Michigan service center; Latin American and Caribbean orders are handled by our Miami, Florida service center; and Asian orders are handled by our service center in Tokyo, Japan. In addition, we have a global service center in London, England that serves as the single point of contact for our largest customers for worldwide maintenance referrals. In April 2001, we expect to open a global customer care center in Montreal, Canada to provide a single point of contact for our services globally with multi-skilled and multi-lingual technicians to work maintenance referrals and to provide status on provisioning orders and billing inquiries.

The Metropolitan Network

In order to extend Global Crossing's network reach to the customer doorstep, we connect the Global Crossing Network to local exchange carriers in each city where Global Crossing has a point of presence. In addition, we are building or acquiring our own city networks in several major cities in which we have a point of presence, starting with the major business centers of North America and Europe. We have completed rings in 11 North American cities, four European cities and four Asian cities. During 2001, we intend to undertake a similar development program in an additional 21 cities in Europe, North America, Latin America and Asia.

We previously entered into an agreement with Telergy, Inc. under which we have acquired 96 strands of fiber throughout the New York area on Telergy's 100-mile New York City network. In addition, the agreement provides us with an ownership position in Telergy and representation on its board of directors. Global Crossing and Telergy have also agreed to explore co-build opportunities in the northeastern United States and to seek to utilize the Telergy network as needed for redundancy and termination of Global Crossing traffic in certain areas.

Our merger with IXnet in June 2000 resulted in the acquisition of points of presence in 38 countries, over 1,500 customer access nodes, and connectivity to trading systems on over 100,000 customer desktops. We believe this acquisition significantly enhanced our strategy to provide connectivity not only building-to-building, but from customer premises to customer premises globally.

Principal Customers

Within our primary sales channels, we have numerous customers that we service. In our Carrier Markets channel, we provide capacity for some of the largest telecommunication carriers. Our Financial Markets channel provides service to over 1,200 financial services firms worldwide. We offer them managed voice and data services as well as financial content distribution services. Our MNC Markets channel provides various managed broadband services to large multinational corporations in various industries. Our Government Markets channel provides telecommunication services to government municipalities and agencies.

Principal Suppliers

Our principal suppliers are the companies that are constructing the uncompleted segments of the Global Crossing Network. We utilize multiple suppliers for terrestrial systems. We also utilize multiple suppliers to procure equipment for our network, including multiplexing equipment, packet routers and switches, and network management servers.

Competition

Telecommunications Services

The telecommunications industry is highly competitive. Many of our existing and potential competitors, particularly in our telecommunications services markets, compete with greater financial, personnel, marketing and other resources, and have other competitive advantages.

The telecommunications industry is in a period of rapid technological evolution, marked by increasing fiber and satellite transmission capacity, new technologies and the introduction of new products and services. For instance, recent technological advances enable substantial increases in transmission capacity of both new and existing fiber, which could affect capacity supply and demand. Also, the introduction of new products or emergence of new technologies may reduce the cost or increase the supply of certain services similar to those we provide.

High initial network cost and low marginal costs of carrying long distance traffic have led to a trend among non-facilities-based carriers to consolidate in order to achieve economies of scale. Such consolidation

could result in larger, better-capitalized competitors. However, we believe that owning our own network will offer an advantage over carriers that lease network capacity.

Increased consolidation and strategic alliances in the industry resulting from the Telecommunications Act of 1996 (the "Telecom Act") have allowed significant new competitors to enter the long distance industry, including local exchange carriers such as Verizon Communications which were previously prohibited from the inter-state market. These ILECs have the advantages of network concentration and significant existing customer bases.

As a result of the expansion of our business into IP services, we also compete with a wide range of companies that provide Internet access and other IP products and services. Significant competitors include IBM, Verizon Communications and UUNet (a subsidiary of WorldCom, Inc.). In addition, many smaller companies have entered the market for web-based services.

In recent years, competition has increased dramatically in all areas of the telecommunications services market. Our primary competitors include AT&T, Sprint, WorldCom and foreign PTTs, all of whom have extensive experience in the long distance market. In their local markets, the PTTs have the advantages of network concentration, significant existing customer bases and, in many cases, regulatory protection from competition.

In addition to the above providers, we have other competitors including Flag Telecom, 360networks, Level 3, Williams, Qwest, KPN Qwest and TyCom Ltd. which are horizontally integrated companies delivering bandwidth-enabled services worldwide on newly built or to-be-built networks.

The routes addressed by our systems are currently served by several cable systems as well as satellites. In addition, each of our routes faces future competition from several other regional and global systems being developed by consortia of major telecommunications carriers, by PTTs, by the horizontally integrated companies mentioned above or by other competitors.

Installation and Maintenance Services

Although Global Marine is the world's leading independent marine services company to the telecommunications industry, it faces potential competition from both existing market participants and potential new entrants. There are currently two major system supply companies in the subsea cable industry: TyCom and Alcatel Submarine Networks. In March 2001, Global Marine signed a strategic alliance with NEC to supply marine services as part of an integrated supply package. The alliance will provide customers with a fully integrated solution for the design, supply and installation of submarine telecommunications networks globally. Global Marine will continue to provide services to customers who wish to do business outside of the alliance.

Regulation

Our submarine and terrestrial fiber optic cable systems and telecommunications services are subject to regulation at the federal, state, and local levels in the United States, as well as regulation by regulatory agencies in the various foreign countries in which we have facilities or operations.

REGULATION IN THE UNITED STATES

To the extent that the following discussion of regulation of our businesses in the United States relates to our ILEC business segment, we note that this segment has been reclassified as discontinued operations pending completion of the anticipated sale of this segment to Citizens Communications.

Federal Regulation

The Federal Communications Commission ("FCC") regulates the interstate and international telecommunications facilities and services of telecommunications common carriers. Specifically, common carriers must comply with the requirements of the Communications Act of 1934, as amended by the Telecom Act. Implementation of the Telecom Act is subject to various federal and state rulemaking and judicial procedures; therefore, the effects of the Telecom Act on us cannot be accurately predicted.

We have obtained authority from the FCC to provide international telecommunications services as a non-dominant carrier on a facilities-based and resale basis. We also have obtained cable landing licenses that permit us to land and operate submarine cable systems in U.S. territory. Domestically, our subsidiaries provide local services as authorized CLECs in 34 states (including Washington D.C.). Other subsidiaries are certificated as ILECs in 13 states.

The scope of our activities in the United States makes us subject to varying, and sometimes conflicting, regulation. We are treated as non-dominant for our interstate and international operations. For local exchange services, some of our subsidiaries are treated as ILECs and others as CLECs. Generally speaking, the FCC imposes a greater degree of regulation on ILECs and other dominant providers and less regulation on CLECs and other carriers without market power. The issues discussed below may have positive effects on certain of our subsidiaries and negative effects on other subsidiaries, and, thus, the net effect on us cannot be accurately predicted.

The intent of the Telecom Act is to increase competition in the U.S. telecommunications market. To achieve this goal, the Telecom Act seeks to open local access markets to competition by requiring ILECs to permit interconnection to their networks and imposing various other obligations on them.

Interconnection. In August 1996, the FCC released its First Report and Order on interconnection, which established rules for the implementation of the Telecom Act's obligations. In July 1997, the U.S. Circuit Court of Appeals for the Eighth Circuit vacated portions of the FCC's decision. On January 25, 1999, the United States Supreme Court reversed, and affirmed the FCC's authority to promulgate rules governing pricing, found that the FCC had authority to promulgate a "pick and choose" rule for interconnection, and upheld most of the FCC's rules governing access to unbundled network elements. The Court remanded to the FCC the issue of which network elements must be unbundled by ILECs. On remand, the FCC retained most of its original list of network elements to be unbundled, but eliminated the requirements that ILECs provide unbundled access to (i) local switching for customers with four or more lines in the most densely populated parts of the top 50 Metropolitan Statistical Areas, (ii) operator services, and (iii) directory assistance. The rules governing the pricing, terms, and conditions of interconnection agreements remain unsettled, and the scope of our interconnection rights and obligations, both as an ILEC and a CLEC, may change in ways that are not foreseeable. On July 18, 2000, the United States Court of Appeals for the Eighth Circuit vacated certain of the FCC's remaining regulations, in part, holding that the FCC could not require the states to use a pricing methodology, based upon an efficient, hypothetical ILEC network and could not require ILECs to combine previously uncombined network elements. On January 22, 2001, the Supreme Court agreed to review the Eighth Circuit's ruling. A decision by the Supreme Court is not expected until 2002.

Unbundling and Collocation. In March 1999, the FCC required ILECs to offer unbundled loops and collocation on more favorable terms than were available previously. The FCC order permitted collocation of equipment that can be used to provide advanced data services, such as Digital Subscriber Line services, and requires ILECs to permit "cageless" collocation by CLECs. The FCC order was vacated in part by the D.C. Circuit in March 2000, and the FCC is currently re-examining what equipment ILECs must allow CLECs to collocate in ILEC central offices.

Universal Service. The Telecom Act required the FCC to restructure the manner in which universal service fund payments are established and distributed, and the FCC has significantly expanded the federal universal service subsidy regime to include low-income consumers. We are required to contribute to these programs based on our interstate and international revenue from end-user telecommunications services. Contribution rates change quarterly. Currently, the contribution rate is 6.6827% of interstate and international end-user telecommunications revenue. We are unable to specify the amount of any universal service contributions that we will be required to make in future years.

Reciprocal Compensation. Under the Telecom Act, a local exchange carrier that terminates calls to customers on its network is entitled to be compensated by the local exchange carrier of the originating customer. Some ILECs have taken the position that compensation is not owed for inbound calls to ISPs on the grounds that this type of traffic is not local and, thus, not covered by the terms of existing interconnection agreements. As a result, some ILECs have threatened to withhold, and in some cases have withheld, compensation to CLECs for such calls. The FCC has, in several related proceedings, requested comments on the rules that it should adopt to govern compensation for ISP-bound traffic. On February 26, 1999, the FCC ruled that ISP traffic was jurisdictionally interstate, although it also held that it would not disturb existing interconnection agreements that called for the payment of reciprocal compensation on ISP-bound traffic. On March 24, 2000, the United States Court of Appeals for the District of Columbia Circuit vacated the FCC's order and remanded the matter to the FCC for future proceedings. We cannot accurately predict how the FCC will rule or what impact that rule may have on future interconnection negotiations.

As an ILEC in New York, we currently are required to pay significant reciprocal compensation payments for inbound calls to ISPs. The state public utility commissions ("PUCs") of Alabama, Florida, Georgia, Indiana, Ohio, Pennsylvania, Illinois, Michigan, Minnesota and Wisconsin, states in which we also operate ILECs, also have concluded that reciprocal compensation, based upon somewhat differing formulas, is owed for ISP-bound calls. Any reciprocal compensation payments in those states are not material to our operations. In addition, legislation has been introduced in the U.S. Congress that would ban reciprocal compensation for calls to ISPs. We cannot predict whether this legislation will pass as currently proposed or the effect of its passage on our payment or receipt of reciprocal compensation payments.

Access Charges. Our costs to provide long distance services and our revenue from providing local services are affected by ongoing substantial changes in the "access charge" rates imposed by ILECs on long distance carriers for origination and termination of long distance calls over local facilities.

The increased pricing flexibility of "price cap ILECs" (i.e. ILECs subject to the FCC's access charge price cap rules), such as our Frontier ILEC subsidiaries, may have an adverse impact on our interstate access costs if not properly implemented by ILECs and enforced by the FCC, but could also make it easier for price cap ILECs to offer reduced access charge rates in markets subject to competition. The FCC is continuing to examine further access charge changes, including granting further pricing flexibility to price cap ILECs.

Tariffing and Filing Requirements. Effective January 31, 2001, the FCC detariffed interstate services, except for mass market services. This action requires us to enter into individual contracts with our customers or determine another manner to advise them of the prices, terms and conditions of our interstate services. Detariffing of mass market services is currently scheduled to become effective on July 31, 2001. The FCC is currently considering whether to detariff international services. The FCC also imposes reporting and filing requirements on non-dominant carriers. We must file periodic reports regarding our interstate and international circuits and the deployment of network facilities. Traffic and revenue reports and universal service contribution worksheets also must be filed. Carriers also must obtain prior approval from or give notice to the FCC of certain transfers of control and assignments of operating authorizations, as well as certain affiliations with foreign carriers. In addition, certain operating and services agreements with dominant foreign carriers must be filed with the FCC.

Submarine Cables. In connection with the construction and operation of our submarine cable systems, we have obtained cable landing licenses for the AC-1, PC-1, MAC, PAC and SAC systems. These licenses give us authority to construct and land our submarine cables in the United States. In each case, the license permits the operation of the cable on a non-common carrier basis. Each of our cable landing licenses is valid for a period of 25 years from its grant. We are subject to various FCC reporting and filing requirements as the result of our holding of these cable landing licenses.

State Regulation

In addition to regulation by the FCC, the intrastate services of each of our local telephone service companies are regulated by the PUCs of the respective states in which each subsidiary operates with respect to such issues as prices, service quality, the issuance of securities, and the construction of facilities. To provide intrastate services, we generally must obtain a certificate of public convenience and necessity from the appropriate PUC and comply with state requirements for telecommunications utilities. The level of regulation imposed by state PUCs varies. Generally, however, ILECs are regulated more heavily than competitive providers. Our subsidiaries are certificated as ILECs in 13 states: New York, Alabama, Florida, Georgia, Illinois, Indiana, Iowa, Michigan, Minnesota, Mississippi, Ohio, Pennsylvania, and Wisconsin. Other subsidiaries provide competitive local services in 34 states (including Washington D.C.).

A number of states in which we have local or long distance operations are conducting proceedings related to the rules under which carriers may operate in an increasingly competitive environment. The issues that the PUCs are examining include unbundling of local network elements, local interconnection obligations, dialing parity for intra-LATA (or short-haul) toll traffic, local number portability, resale of local exchange service and universal service. We cannot predict how these proceedings will ultimately be resolved, nor when decisions will be issued.

Open Market Plan. Our Frontier subsidiary in Rochester, New York began its seventh year of operations under the Open Market Plan in January 2001. The Open Market Plan promotes telecommunications competition in the Rochester, New York marketplace by providing for (i) interconnection of competing local networks including reciprocal compensation for terminating traffic, (ii) equal access to network databases, (iii) access to local telephone numbers, (iv) service provider telephone number portability, and (v) certain wholesale discounts to resellers of local services.

During the operation of the Open Market Plan, we are regulated under pure price cap regulation rather than rate-of-return regulation. Planned rate reductions of \$21.0 million (the "Rate Stabilization Plan") have been implemented for Rochester area consumers, including \$19.5 million of reductions that occurred through 2000, and an additional \$1.5 million which commenced in January 2001. Rates charged for basic residential and business telephone service may not be increased during the seven-year period of the Plan. We are allowed to raise prices on certain enhanced services such as Caller ID and call forwarding.

On August 25, 1999, the New York State Public Service Commission ("NYSPSC") solicited comments regarding our Rochester local exchange subsidiary's financial condition, earnings and service quality, competition in the Rochester market, and the terms and conditions of the Open Market Plan. Settlement discussions in this NYSPSC proceeding resulted in a Joint Proposal for Open Market Plan Continuation and Modification (the "Joint Proposal"), which was approved with some modifications by the NYSPSC on March 30, 2000. Under the approved Joint Proposal our Frontier ILEC subsidiary in New York will (i) remain under "price cap" regulation through 2002 (and possibly for an additional two years); (ii) be required to improve specified elements of service quality and to offer certain additional services; (iii) be subject to increased potential penalties related to service targets; and (iv) be required to lower certain residential and commercial service rates. The impact of the Joint Proposal will not have a material adverse effect on Global Crossing as a whole. The NYSPSC also has issued orders on other regulatory issues that affect our New York Frontier subsidiaries, related to service quality, staff allocations, provisions, and relations with other carriers.

Dividend Policy. The Open Market Plan prohibited the payment of dividends by Frontier Telephone of Rochester, Inc. ("FTR"), to Global Crossing North America, Inc. ("GCNA") if (i) FTR's senior debt is downgraded to "BBB" by Standard & Poor's ("S&P"), or the equivalent rating by other rating agencies, or is placed on credit watch for such a downgrade, or (ii) a service quality penalty is imposed under the Open Market Plan. Dividend payments to GCNA also require FTR's directors to certify that such dividends will not impair FTR's service quality or its ability to finance its short and long-term capital needs on reasonable terms.

In 1999, FTR achieved the required service levels, but a previously imposed temporary restriction on dividend payments from FTR to GCNA remained in place until the NYSPSC was satisfied that FTR's service levels demonstrated that FTR had rectified the service deficiency. In addition, on June 2, 1999, Moody's and S&P downgraded FTR's senior debt ratings from A1/AA- to Baa2/BBB, respectively. These ratings actions were a result of the announced merger between Frontier and Global Crossing, and did not reflect any change in the financial condition or creditworthiness of FTR. These actions triggered an additional dividend restriction for FTR. On December 22, 1999, S&P downgraded FTR's senior debt rating to BB+ and, on January 18, 2000, Duff & Phelps downgraded FTR's senior debt rating to A. Both rating agencies stated that their actions reflected their views that a large separation in ratings could not be maintained between an operating subsidiary and its parent. By order issued October 18, 2000, the NYSPSC eliminated from the Open Market Plan the restriction on dividends based on debt ratings and indicated its satisfaction with FTR's improvements in service levels. FTR has therefore resumed the payment of dividends.

Local Regulation

Our activities also are subject to local regulation, including compliance with franchise obligations, building codes, and local licensing requirements. Such regulations vary widely by jurisdiction. To construct and install transmission facilities, we may need to obtain rights-of-way over public and privately owned land.

INTERNATIONAL REGULATION

Our construction and operation of telecommunications networks and our provision of telecommunications services in foreign countries require us to obtain a variety of permits, licenses, and authorizations in the ordinary course of business. In addition to telecommunications licenses and authorizations, we may be required to obtain environmental, construction, zoning and other permits, licenses, and authorizations. The construction and operation of our facilities and our provision of telecommunications services may subject us to regulation in other countries at the national, state, provincial, and local levels.

Europe

In connection with the construction and operation of the PEC network, we have obtained telecommunications licenses in all nations where authorization is required for us to construct and operate facilities or provide services. We expect to obtain additional telecommunications licenses and authorizations in Europe in the ordinary course of business.

Our activities in Europe are subject to regulation by the European Union and national regulatory authorities. The level of regulation and the regulatory obligations and rights that attach to us as a licensee in each country vary. In all countries, we, as a competitive entrant, are currently considered to lack significant market power ("SMP"), which generally subjects us to less regulation than providers that are deemed to possess SMP. As we complete construction of the PEC network and begin providing services in Europe, we anticipate that the regulatory obligations imposed on us will increase. In addition, we may be required to address many of the "local competition" issues that we face as a competitive provider in the United States, such as interconnection, collocation, unbundling, reciprocal compensation, and resale. The laws and regulations of the Member States of the EU on these issues vary. The European Commission and various of the Member

States have opened or concluded public consultations relating to these and other "local competition" issues. We cannot predict what decisions will be made by the EU and the Member States in these ongoing proceedings or the effects of any those decisions on our operations.

Asia

We are increasing the scope of our activities in Asia. As in Europe, we have obtained or are in the process of obtaining telecommunications licenses in all nations where authorization is required for us to construct and operate facilities or provide services. We expect to obtain additional telecommunications licenses and authorizations in Asia in the ordinary course of business.

The status of liberalization of the telecommunications regulatory regimes of the Asian countries in which we intend to operate varies. Some countries allow full competition in the telecommunications sector, while others limit competition for most services. Most of the countries in the region have committed to liberalizing their telecommunications regimes and opening their telecommunications markets to foreign investment as part of the World Trade Organization ("WTO") Agreement on Telecommunications. China also has committed to liberalizing its telecommunications markets and reducing foreign ownership limitations if it is admitted to the WTO. We cannot be certain whether this liberalizing trend will continue or accurately predict the pace and scope of liberalization. It is possible that one or more of the countries in which we operate will slow or halt the liberalization of its telecommunications markets. The effect of such an action on us cannot be accurately predicted.

Latin America

In Latin America, we currently are constructing the MAC, PAC and SAC systems. In connection with the construction of these cable systems, we have obtained cable landing licenses and/or telecommunications licenses in Argentina, Brazil, Chile, Mexico, Panama, and the United States. An application has been filed in Venezuela and we expect to file applications in additional Latin American countries in the ordinary course of business.

As in Asia, the status of liberalization of the telecommunications markets of Latin America varies. All of the countries in which we currently plan to have operations are members of the WTO and have committed to liberalizing their telecommunications markets and lifting foreign ownership restrictions. Some countries now permit competition for all telecommunications facilities and services, while others allow competition for some facilities and services, but restrict competition for other services. Some countries in which we operate or intend to operate currently impose limits on foreign ownership of telecommunications carriers. We anticipate that we will be granted authority to land and operate our submarine cable systems in each of the countries in which they currently are expected to land. It is possible, however, that one or more of these countries will not grant authority to land a submarine cable or will impose conditions that make landing and operating the cable commercially unfeasible.

The telecommunications regulatory regimes of many Latin American countries are in the process of development. Many issues, such as regulation of incumbent providers, interconnection, unbundling of local loops, resale of telecommunications services, and pricing have not been addressed fully or at all. We cannot accurately predict whether or how these issues will be resolved and their impact on our operations in Latin America.

Employees

As of December 31, 2000, our continuing operations had approximately 13,000 employees and our discontinued operations had approximately 3,400 employees. We consider our relations with our employees to be good.

Forward Looking Statements and Risk Factors

We have included in this Annual Report on Form 10-K forward-looking statements that state our own or our management's intentions, beliefs, expectations or predictions for the future. Forward-looking statements are subject to a number of risks, assumptions and uncertainties which could cause our actual results to differ materially from those projected in the forward-looking statements. The discussions set forth below constitute cautionary statements identifying important factors with respect to such forward-looking statements, including risks and uncertainties, that could cause actual results to differ materially from results referred to in the forward-looking statements. There can be no assurance that our expectations regarding any of these matters will be fulfilled.

Because we have a limited operating history and have grown rapidly through successive acquisitions, potential investors may have difficulty evaluating the performance of our operations.

We were organized in March 1997 and, with the exception of our Frontier, Global Marine, IPC and Racal Telecom subsidiaries, have a limited operating history. Because of this limited history and our rapid growth through successive acquisitions, it may be difficult for potential investors to evaluate the performance of our operations. In particular, comparisons of our results of operations from one period to another may not be fully indicative of our current ability to conduct our business.

If we encounter difficulties in completing our cable systems currently under development, we may face delays in recognizing revenues from the affected systems.

Our ability to achieve our strategic objectives will depend in large part upon the successful, timely and cost-effective completion of our cable systems currently under development, as well as on achieving substantial sales of capacity and services on these systems once they become operational and on our other operational systems. The construction of these systems will be affected by a variety of factors, uncertainties and contingencies, many of which are beyond our control, including:

- our ability to manage their construction effectively;
- our ability to obtain all construction and operating permits and licenses;
- third-party contractors performing their obligations on schedule; and
- our ability to enter into favorable construction contracts with a limited number of suppliers.

As a result, we cannot be certain that each of these systems will be completed at the cost and in the time frame currently estimated by us, or even at all. Although we award contracts for construction of our systems to suppliers who in most cases are expected to be bound by a fixed-price construction cost schedule and to provide guarantees in respect of completion dates and system design specifications, we cannot be certain that the actual construction costs or the time required to complete these systems will not exceed our current estimates.

Any of these factors could significantly delay or prevent completion of one or more of our systems currently under development, leading to a corresponding delay in our recognizing revenues from the affected systems.

If we fail to expand our services and products as we intend, our revenue growth will be impaired.

We intend to grow revenue and profits by:

- introducing new services and products;
- developing or acquiring additional cable systems; and
- upgrading capacity on our planned systems.

Our inability to effect these expansions of our products and services could have a material adverse effect on our intended revenue growth.

Demand for our products and services could be reduced due to competition or changes in industry conditions.

The international telecommunications industry is highly competitive. In connection with sales of capacity and the provision of telecommunications services on our global fiber optic cable network, we face competition primarily on the basis of price, availability, service quality and reliability, customer service and location. The ability of our competitors to provide comparable telecommunications products and services to customers at similar prices could have a material adverse effect on demand for our products and services. In addition, much of our planned growth is predicated upon the growth in demand for international telecommunications capacity and services. If this anticipated demand growth does not occur, competition for customers will intensify, and demand for our international telecommunications product offerings may be adversely impacted.

We are growing rapidly in a changing industry. If we fail to adapt to the changes in the telecommunications industry as a result of our rapid growth, our results of operations could be impaired.

Our strategy is to be the premier provider of managed broadband services to global enterprises. As a result of this aggressive strategy, we are experiencing rapid expansion and expect it to continue for the foreseeable future. This growth has increased our operating complexity. At the same time, the international telecommunications industry is changing rapidly due to, among other things:

- the easing of regulatory constraints;
- the privatization of established carriers;
- the expansion of telecommunications infrastructure;
- the growth in demand for bandwidth caused by expansion of Internet and data transmissions;
- the globalization of the world's economies; and
- the changing technology for wired, wireless and satellite communication.

We cannot be certain that we will succeed in adapting to the changes in the international telecommunications industry, particularly given our rapid growth strategy. If we do not succeed, our future results of operations could be impaired.

We face price declines that could adversely affect our operating margins.

Advances in fiber optic technology have resulted in significant per circuit price declines in the fiber optic cable transmission industry. Recent changes in technology caused prices for telecommunications capacity and services to go down even further. If there is less demand than we project or a bigger drop in prices than we project, it could adversely affect our operating margins and, accordingly, our results of operations. We cannot be certain, even if our projections with respect to those factors are realized, that we will be able to implement our strategy or that our strategy will be successful in the rapidly evolving telecommunications market.

The operation, administration, maintenance and repair of our cable systems are subject to risks that could lead to the failure of those systems to operate as intended for their full design life.

Each of our systems is and will be subject to the risks inherent in a large-scale, complex fiber optic telecommunications system. The operation, administration, maintenance and repair of our systems requires the coordination and integration of sophisticated and highly specialized hardware and software technologies and equipment located throughout the world. We cannot be certain that our systems will continue to function as expected in a cost-effective manner. The failure of the hardware or software to function as required could render a cable system unable to perform at design specifications.

Each of our undersea systems either has or is expected to have a design life of generally 25 years, while each of our terrestrial systems either has or is expected to have a design life of at least 20 years. The economic lives of these systems, however, are expected to be shorter than their design lives, and we cannot be certain of the actual useful life of any of these systems. A number of factors will ultimately affect the useful life of each of our systems, including, among other things: quality of construction; unexpected damage or deterioration; and technological or economic obsolescence.

Failure of any of our systems to operate for its full design life could result in a loss of customers and a reduction in future revenues and adversely affect our future operating results.

Because we face significant competition, we may not be able to hire, integrate and retain key managerial, technical and sales personnel.

Our future success depends on the skills, experience and efforts of our officers and key technical and sales employees. In particular, our senior management has significant experience in the telecommunications industry, and the loss of any of them could negatively affect our ability to execute our business strategy. In addition, we cannot be certain that we will be able to integrate new management into our existing operations. Competition for bandwidth sales employees and fiber optic engineers is particularly intense, and we may not be able to attract, motivate and retain highly skilled and qualified personnel in these areas. Some of our key employees currently do not have employment agreements that would limit their ability to leave our employment or compete with us following their departure. In addition, we do not have “key person” life insurance policies covering any of our employees.

We have substantial international operations and face political, legal and other risks from our operations in these foreign jurisdictions.

We will derive substantial revenue from international operations and intend to have substantial physical assets in several jurisdictions along our routes, including countries in Asia, Latin America and Europe. As a result, our business is subject to particular risks from operating in these areas, including:

- uncertain and rapidly changing political and economic conditions, including the possibility of civil unrest, terrorism or armed conflict;
- unexpected changes in regulatory environments and trade barriers;
- exposure to different legal and regulatory standards; and
- difficulties in staffing and managing operations consistently through our several operating areas.

Although we have not experienced any material adverse effects with respect to our foreign operations arising from these factors, problems associated with these risks could arise in the future. Finally, managing operations in multiple jurisdictions may place further strain on our ability to manage our overall growth.

We cannot assure the successful integration of newly acquired businesses. If the expected benefits of these acquisitions are not achieved, our operations will be negatively affected.

Part of our growth strategy has been to make selective strategic acquisitions of businesses operated by others. Achieving the benefits of these acquisitions will depend in part on the integration of those businesses with our business in an efficient manner. We cannot be certain that this will happen or that it will happen in a timely manner. The consolidation of operations following these acquisitions often requires substantial attention from our management. The diversion of management attention and any difficulties encountered in the transition and integration process could have a material adverse effect on the revenue, levels of expenses and operating results of the combined company. We cannot be certain that we will realize any of the anticipated benefits of any acquisition. If we do not realize these benefits, our performance could suffer.

Because many of our customers deal predominantly in foreign currencies, we may be exposed to exchange rate risks and our net income may suffer due to currency translations.

We primarily invoice for our services in U.S. dollars; however, most of our customers and many of our prospective customers derive their revenue in currencies other than U.S. dollars. The obligations of customers with substantial revenue in foreign currencies may be subject to unpredictable and indeterminate increases in the event that such currencies devalue relative to the U.S. dollar. Furthermore, such customers may become subject to exchange control regulations restricting the conversion of their revenue currencies into U.S. dollars. In such event, the affected customers may not be able to pay us in U.S. dollars. In addition, where we invoice for our services in currencies other than U.S. dollars, our net income may suffer due to currency translations in the event that such currencies devalue relative to the U.S. dollar and we do not elect to enter into currency hedging arrangements in respect of those payment obligations. Declines in the value of foreign currencies relative to the U.S. dollar could adversely affect our ability to market our services to customers whose revenues are denominated in those currencies.

Our operations are subject to regulation in the United States and abroad and require us to obtain and maintain a number of governmental licenses and permits. If we fail to comply with those regulatory requirements or obtain and maintain those licenses and permits, we may not be able to conduct our business.

In the United States, our intrastate, interstate, and international telecommunications networks and services are subject to regulation at the federal, state, and local levels. We also have facilities and provide services in numerous countries in Europe, Latin America, and Asia. Our operations in those countries are subject to regulation at the national level and, in some cases, at the state, provincial, and local levels.

- Our interstate and international operations in the United States are governed by the Communications Act of 1934, as amended by the Telecom Act. There are several ongoing proceedings at the FCC and in the federal courts regarding the implementation of various aspects of the Telecom Act. The outcomes of these proceedings may affect the manner in which we are permitted to provide our services in the United States and may have a material adverse effect on our operations.
- The intrastate activities of our local telephone service companies are regulated by the states in which they do business. A number of states in which we operate are conducting proceedings related to the provision of services in a competitive telecommunications environment. These proceedings may affect the manner in which we are permitted to provide our services in one or more states and may have a material adverse effect on our operations.
- Our operations outside the United States are governed by the laws of the countries in which we operate. The regulation of telecommunications networks and services outside the United States varies widely. In some countries, the range of services that we are legally permitted to provide may be limited. In other countries, existing telecommunications legislation is in the process of development, is unclear or inconsistent, or is applied in an unequal or discriminatory fashion. Our inability or failure to comply with the telecommunications laws and regulations of one or more of the countries in which we operate could result in the temporary or permanent suspension of operations in one or more countries. We also may be prohibited from entering certain countries at all or from providing all of our services in one or more countries. In addition, many of the countries in which we operate are conducting proceedings that will affect the implementation of their telecommunications legislation. We cannot be certain of the outcome of these proceedings. These proceedings may affect the manner in which we are permitted to provide our services in these countries and may have a material adverse effect on our operations.
- In the ordinary course of constructing our networks and providing our services we are required to obtain and maintain a variety of telecommunications and other licenses and authorizations in the countries in which we operate. We also must comply with a variety of regulatory obligations. Our failure to obtain or maintain necessary licenses and authorizations, or to comply with the obligations imposed upon license-holders in one or more countries, may result in sanctions, including the revocation of authority to provide services in one or more countries.

We depend on third parties for many functions. If the services of those third parties are not available to us, we may not be able to conduct our business.

We depend and will continue to depend upon third parties to:

- construct some of our systems and provide equipment and maintenance;
- provide access to a number of origination and termination points of our systems in various jurisdictions;
- construct and operate landing stations in a number of those jurisdictions;
- acquire rights of way;
- provide terrestrial capacity to our customers through contractual arrangements; and
- act as joint venture participants with regard to some of our current and potential future systems.

We cannot be certain that third parties will perform their contractual obligations or that they will not be subject to political or economic events which may have a material adverse effect on their ability to provide us with necessary services. If they fail to perform their obligations, we may not be able to conduct our business. In addition, if any of our joint venture participants experiences a change in strategic direction such that their strategy regarding our mutual joint venture diverges from our own, we may not be able to realize the benefits anticipated to be derived from the joint venture.

We have substantial financial leverage which may limit our ability to comply with the terms of our indebtedness and may restrict our ability to operate.

Our significant indebtedness could adversely affect us by leaving us with insufficient cash to fund operations and impairing our ability to obtain additional financing. The amount of our debt could have important consequences for our future, including, among other things:

- cash from operations may be insufficient to meet the principal and interest on our indebtedness as it becomes due;
- payments of principal and interest on borrowings may leave us with insufficient cash resources for our operations; and
- restrictive debt covenants may impair our ability to obtain additional financing.

We have incurred a high level of debt. As of December 31, 2000, we and our consolidated subsidiaries had a total of \$14,378 million of liabilities, including approximately \$6,425 million in senior indebtedness, of which \$2,519 million was secured. As of such date, GCL additionally had outstanding cumulative convertible preferred stock with a face value of \$2,744 million. Our subsidiary, Global Crossing Holdings Ltd., also had mandatorily redeemable preferred stock outstanding with a face value of \$500 million.

Our ability to repay our debt depends upon a number of factors, many of which are beyond our control. In addition, we rely on dividends, loan repayments and other intercompany cash flows from our subsidiaries to repay our obligations. If we are unable to generate sufficient cash flow to meet our debt service requirements, we may have to renegotiate the terms of our long-term debt. We cannot be certain that we would be able to renegotiate successfully those terms or refinance our indebtedness when required or that satisfactory terms of any refinancing would be available. If we were not able to refinance our indebtedness or obtain new financing under these circumstances, we would have to consider other options, such as:

- sales of some assets;
- sales of equity;
- negotiations with our lenders to restructure applicable indebtedness; or

- other options available to us under applicable law.

We are subject to restrictive covenants that may limit our ability to take actions in furtherance of our strategic objectives.

Covenants in our various debt instruments limit our ability, among other things:

- to incur debt;
- to pay dividends and make distributions on capital stock;
- to make investments;
- to enter into new businesses;
- to merge, consolidate or dispose of assets; and
- to enter into transactions with affiliates.

Complying with these covenants may cause us to take actions that we otherwise would not take or not take actions that we otherwise would take. For example, these covenants may restrict us from financing capital expenditures with debt. Our failure to comply with these covenants would cause a default which, if not waived, could result in the debt becoming immediately due and payable. In this event, we may not be able to repay or refinance the debt on terms that are acceptable to us or at all.

Officers and directors own a substantial portion of us and may have conflicts of interest.

Our executive officers and directors have substantial equity interests in us. As of February 23, 2001, all our directors and executive officers as a group collectively beneficially owned approximately 14.79% of our outstanding common stock.

Some of our directors and executive officers also serve as officers and directors of other companies. Additionally, some of our officers and directors are active investors in the telecommunications industry. Service as one of our directors or officers and as a director or officer of another company could create conflicts of interest when the director or officer is faced with decisions that could have different implications for us and the other company. A conflict of interest could also exist with respect to allocation of time and attention of persons who are our directors or officers and directors and officers of another company. The pursuit of these other business interests could distract these officers from pursuing opportunities on our behalf.

We cannot predict our future tax liabilities. If we become subject to increased levels of taxation, our results of operations could be adversely affected.

We believe that a significant portion of the income derived from our undersea systems will not be subject to tax by any of (1) Bermuda, which currently does not have a corporate income tax, or (2) some other countries in which we conduct activities or in which our customers are located. However, we base this belief upon:

- the anticipated nature and conduct of our business, which may change; and
- our understanding of our position under the tax laws of the various countries in which we have assets or conduct activities, which position is subject to review and possible challenge by taxing authorities and to possible changes in law, which may have retroactive effect.

We cannot predict the amount of tax to which we may become subject. Any increase in the amount of taxation incurred as a result of our operations could result in a material adverse effect on our net income and, accordingly, our financial condition and results of operations.

Our shareholders may be subject to Foreign Personal Holding Company, Passive Foreign Investment Company, Controlled Foreign Corporation and Personal Holding Company rules that could result in increased tax liability.

We believe that neither we nor any of our non-United States subsidiaries are a foreign personal holding company and do not expect that either we or any of our affiliates will become a foreign personal holding company. However, we cannot be certain in this regard. If one of our shareholders is a United States person and we or one of our non-United States subsidiaries are classified as a foreign personal holding company, then that shareholder would be required to pay tax on its pro rata share of our or our relevant non-United States subsidiary's undistributed foreign personal holding income. We intend to manage our affairs so as to attempt to avoid or minimize having income imputed to United States persons under these rules, to the extent this management of our affairs would be consistent with our business goals, although we can provide no assurances in this regard.

We believe that we are not a passive foreign investment company and do not expect to become a passive foreign investment company in the future. However, we cannot be certain in this regard. In addition, our expectations are based, in part, on interpretations of existing law that we believe are reasonable, but which have not been approved by any taxing authority. If we were a passive foreign investment company, then any of our shareholders that is a United States person could be liable to pay tax at the then prevailing rates on ordinary income plus an interest charge upon some distributions by us or when that shareholder sold our capital stock at a gain.

Furthermore, additional tax considerations would apply if we or any of our affiliates were a controlled foreign corporation or a personal holding company.

ITEM 2. PROPERTIES

Our principal offices are under lease in Hamilton, Bermuda. We also lease corporate office space in London and Chelmsford, England; Montreal, Canada; Dublin, Ireland; Beverly Hills, California; Madison, New Jersey; Rochester, New York; New York, New York; and Miami, Florida. We also lease office space in Hong Kong and Tokyo through our subsidiary, Asia Global Crossing. We also own or lease sales, administrative and support offices worldwide. In addition, our telecommunication services segment owns undersea cables crossing the Atlantic Ocean (AC-1 and AC-2); Pacific Ocean (PC-1); Eastern United States and Caribbean (MAC); South America (SAC); East Asia (EAC); and Western United States, Mexico, Central & South America and Caribbean (PAC); and primarily terrestrial cable systems connecting various cities within the United States (NAC), South America (TAC), Europe (PEC), Japan (Asia Global Crossing's 49% interest in GAL), Hong Kong (Asia Global Crossing's 50% interest in HGC), and Mexico. Our telecommunications services segment also owns or leases numerous cable landing stations throughout the world related to these undersea and terrestrial cable systems.

Our installation and maintenance services segment owns, leases and operates a fleet of vessels and submersible/remotely operated vehicles used in the planning, installation and maintenance of undersea fiber optic cable systems.

Our ILEC business segment, which is accounted for as discontinued operations pending the sale to Citizens Communications, owns telephone properties which include: connecting lines between customers' premises and the central offices; central office switching equipment; buildings and land; and customer premise equipment. The connecting lines, including aerial and underground cable, conduit, poles, wires and microwave equipment, are located on public streets and highways or on privately owned land. We have permission to use these lands pursuant to local governmental consent or lease, permit, franchise, easement or other agreement.

We believe that substantially all of our existing properties are in good condition and are suitable for the conduct of our business. A security interest in some of these properties, in particular some of our undersea cables, has been granted to lenders providing financing for those systems under non-recourse facilities.

ITEM 3. LEGAL PROCEEDINGS

On July 16, 1999, Frontier was served with a summons and complaint in a lawsuit commenced in New York State Supreme Court, New York County, by a Frontier shareholder alleging that Frontier and its board breached their fiduciary duties by failing to obtain the highest possible acquisition price for Frontier in the definitive merger agreement with the Company. The action has been framed as a purported class action and seeks compensatory damages and injunctive relief. The claims against Frontier were asserted in the same action as similar but separate claims against US West, Inc. However, the claims against Frontier have been severed from the US West claims. In February 2000, the court granted the Company's motion to transfer the action to Monroe County. On February 11, 2001, the Company moved to dismiss all claims against it. Oral argument on this motion is presently scheduled for April 27, 2001. We believe the asserted claims are without merit and are defending ourselves vigorously.

On May 22, 2000, GCL and its subsidiary, South American Crossing (Subsea) Ltd., filed a lawsuit against Tyco Submarine Systems Ltd. in the United States District Court for the Southern District of New York. Our complaint alleges fraud, theft of trade secrets, breach of contract, and defamation related to Tyco's agreements to install the South American Crossing fiber-optic cable system. We seek damages, including punitive damages, in excess of \$1 billion and attorneys' fees and costs, as well as a declaration that the construction and development agreement with Tyco is void due to Tyco's alleged fraud and injunctive relief barring Tyco from further misappropriation of trade secrets and confidential information. On June 13, 2000, Tyco answered the complaint, denying the material allegations and asserting a variety of defenses to such claims. Additionally, Tyco asserted counterclaims that South American Crossing (Subsea) Ltd. breached its construction and development agreement with Tyco. Tyco seeks damages of not less than \$150 million, attorneys' fees and costs and a declaration that, among other things, the construction and development agreement is a valid, enforceable contract and that South American Crossing (Subsea) Ltd. breached the contract or, in the alternative, terminated the contract for convenience. On July 5, 2000, we answered Tyco's counterclaims, denying the material allegations. On August 7, 2000, Tyco moved to dismiss several of our claims. The court has not yet ruled on that motion, which has been fully briefed. Discovery is ongoing.

In addition, on May 22, 2000, our subsidiary, Atlantic Crossing Ltd., together with certain of its affiliates, filed arbitration claims against Tyco for breaches of its obligations in connection with various contracts for the development of the Atlantic Crossing-1 fiber-optic cable system. We seek unspecified monetary damages, a declaration that certain of our obligations under the various contracts relating to Atlantic Crossing-1 are terminated and a return of misappropriated intellectual property. On June 22, 2000, Tyco responded to such claims, denying the material allegations. Tyco additionally asserted counterclaims that we and our subsidiaries breached their various obligations under the various contracts relating to Atlantic Crossing-1. Tyco seeks, among other things, the denial of all relief sought by us and awards aggregating not less than \$185 million and unspecified damages for breach of the agreements. In a settlement agreement dated as of August 30, 2000, Atlantic Crossing entered into an agreement with Tyco for the early termination of one of the contracts relating to Atlantic Crossing-1, the Operations, Administration and Maintenance ("OA&M") Agreement, in return for the payment of \$19 million to Tyco. In addition, Atlantic Crossing and Tyco have agreed to drop their respective claims under the OA&M Agreement in the arbitration. The other claims asserted in arbitration remain pending. The hearing of this matter commenced on December 8, 2000 and is ongoing.

We do not believe that the commencement of these actions with Tyco will have an impact on our network and/or the timely completion of any of our systems. We intend to pursue our claims against Tyco vigorously and to defend ourselves vigorously against Tyco's counterclaims, which counterclaims we believe to be without merit.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Price Range of Common Stock

Our common stock commenced trading on the New York Stock Exchange ("NYSE") on November 6, 2000, under the symbol "GX". Prior to this date, our common stock was traded on the Nasdaq National Market ("NNM") under the symbol "GBLX". The table below sets forth, on a per share basis for the periods indicated, the high and low sales prices for the common stock as reported by the NYSE and NNM.

	Price Range			
	2000		1999	
	High	Low	High	Low
First Quarter	\$61.82	\$38.00	\$62.63	\$18.94
Second Quarter	\$42.00	\$23.38	\$64.25	\$39.63
Third Quarter	\$37.75	\$24.00	\$50.00	\$20.25
Fourth Quarter	\$30.81	\$11.25	\$55.75	\$24.81

The closing sale price of the common stock as reported by the NYSE on March 1, 2001, was \$16.19. As of March 1, 2001, there were 31,030 holders of record of our common stock.

Dividend Policy—Restriction on Payment of Dividends

The Company does not anticipate paying cash dividends on our common stock in the foreseeable future. The terms contained in certain of our debt instruments also place limitations on our ability to pay dividends. Future dividends, if any, will be at the discretion of the Board of Directors and will depend upon, among other things, our operations, capital requirements and surplus, general financial condition, contractual restrictions and such other factors as the Board of Directors may deem relevant.

Recent Sales of Unregistered Securities

During the quarter ended December 31, 2000, the Company did not issue any unregistered securities.

ITEM 6. SELECTED FINANCIAL DATA

The table below presents selected consolidated financial data of the Company as of and for the four periods ended December 31, 2000. The historical financial data as of December 31, 2000 and 1999 and for the years ended December 31, 2000, 1999, and 1998 have been derived from the historical consolidated financial statements of the Company and should be read in conjunction with our consolidated financial statements and notes presented elsewhere in this Annual Report.

In reading the following selected historical financial data, please note the following:

- Effective January 1, 2000, we adopted SEC Staff Accounting Bulletin 101, "Revenue Recognition in Financial Statements" ("SAB 101"), which requires amortization of certain start-up and activation revenues and deferral of associated costs over the contract period or expected customer relationship, whichever is greater. Previously, such revenues and expenses were recognized upon service activation. The net impact of SAB 101 reduced revenue by approximately \$2.4 million, and increased amortization expense by approximately \$10.8 million. The cumulative impact on the results of prior years was reflected as a \$9.1 million cumulative effect of a change in accounting principle in accordance with the adoption provisions of this bulletin.
- On January 12, 2000, we established a joint venture, called Hutchison Global Crossing ("HGC"), with Hutchison Whampoa Limited ("Hutchison") to pursue fixed-line telecommunications and Internet opportunities in Hong Kong. For its 50% share, Hutchison contributed to the joint venture its building-to-building fixed-line telecommunications network in Hong Kong and a number of Internet-related assets. In addition, Hutchison agreed that any fixed-line telecommunications activities it pursues in China will be carried out by the joint venture. For its 50% share, we provided to Hutchison \$400 million in Global Crossing convertible preferred stock (convertible into shares of Global Crossing common stock at a rate of \$45 per share) and committed to contribute to the joint venture international telecommunications capacity rights on our network and global media distribution center capabilities, as well as \$50 million in cash. Concurrent with the initial public offering ("IPO") of Asia Global Crossing ("AGC"), on October 12, 2000, the Company, Microsoft, and Softbank, together the founding shareholders of AGC, entered into an agreement providing for our contribution to AGC of our 50% economic ownership in HGC.
- On June 14, 2000, we completed the acquisition of IXnet, Inc. ("IXnet") and its parent company, IPC Communications, Inc. ("IPC"), resulting in IXnet and IPC becoming our wholly owned subsidiaries. The purchase price of \$3.2 billion reflects a Global Crossing stock price of \$49.77 per share, the average price before and after the definitive merger agreement was entered into on February 22, 2000, and includes long-term debt assumed and the fair market value of options issued by Global Crossing.
- In June 2000, we restated our historical financial statements to revise the estimated useful life of goodwill related to GlobalCenter from 10 years to 5 years. As a result, loss applicable to common shareholders and loss per share increased by \$40.6 million and \$0.08 per share, respectively, for the year ended December 31, 1999.
- On July 11, 2000, we entered into an agreement to sell our incumbent local exchange carrier business segment ("ILEC"), acquired as part of our merger with Frontier, to Citizens Communications for \$3.7 billion in cash, subject to adjustments concerning closing date liabilities and working capital balances. As a result of this transaction we have restated our financial statements to reflect the financial position and results of operations of the ILEC as discontinued operations for all periods presented since the date of the Frontier merger.
- On October 12, 2000, AGC completed its IPO in which it sold 68 million shares of its Class A common stock at a price of \$7.00 per share. The net proceeds, after deducting underwriting discounts, commissions and costs, were approximately \$452 million. On November 8,

2000, an additional 500,000 shares of Class A common stock were sold at \$7.00 per share in connection with the exercise of the underwriters' over-allotment option. The additional net proceeds were approximately \$3 million after deducting underwriting discounts and commissions. Our economic ownership interest in AGC after the offerings and related transactions was reduced to 56.9%. We recognized a gain of \$303 million, net of related expenses, on the IPO and concurrent transactions.

- During September 2000, we entered into a definitive merger agreement under which Exodus Communications, Inc. ("Exodus") would acquire our complex web hosting services division, GlobalCenter. The sale was completed in January 2001 and the Company received 108.2 million shares of Exodus common stock. As a result of this transaction we are no longer in the complex web hosting business and have restated our financial statements to reflect the financial position and results of operations of GlobalCenter as discontinued operations for all periods presented since the date of acquisition as part of the Frontier merger.
- The statement of operations data for the year ended December 31, 1999 includes the results of Global Marine for the period from July 2, 1999, date of acquisition, through December 31, 1999; the results of Frontier for the period from September 28, 1999, date of acquisition, through December 31, 1999; and the results of Racal Telecom for the period from November 24, 1999, date of acquisition, through December 31, 1999. The Consolidated Balance Sheet as of December 31, 1999 includes amounts related to Global Marine, Frontier and Racal Telecom.
- Recurring Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization, or Recurring Adjusted EBITDA, is calculated as operating income (loss), plus goodwill amortization, depreciation and amortization, non-cash cost of capacity sold, stock related expenses, cash portion of the change in deferred revenue and certain non-recurring items. This definition is consistent with financial covenants contained in our major financial agreements. Our management uses Recurring Adjusted EBITDA to monitor compliance with our financial covenants and to measure the performance and liquidity of our reportable segments. This information should not be considered as an alternative to any measure of performance as promulgated under GAAP. Our calculation of Recurring Adjusted EBITDA may be different from the calculation used by other companies and, therefore, comparability may be limited.

	Year Ended December 31,			Period from March 19, 1997 (Date of Inception) to December 31, 1997
	2000	1999	1998	
(In millions, except share and per share information)				
Statement of Operations Data:				
Revenues	\$ 3,789	\$ 1,491	\$ 424	\$ —
Cost of access and maintenance	1,862	396	13	—
Other operating expenses	1,942	648	150	3
Depreciation and amortization	1,381	451	141	—
Termination of advisory services agreement	—	—	140	—
Operating (loss)	(1,396)	(4)	(20)	(3)
Gain on sale of subsidiary's stock and concurrent transactions	303	—	—	—
Income (loss) from continuing operations	(1,308)	7	(68)	—
Loss from discontinued operations, net	(308)	(59)	—	—
Loss applicable to common shareholders	(1,980)	(178)	(135)	(13)

Loss per Common Share:

Loss from continuing operations applicable to common shareholders, basic and diluted	\$ (1.92)	\$ (0.12)	\$ (0.32)	\$ (0.04)
Loss applicable to common shareholders, basic and diluted	\$ (2.35)	\$ (0.35)	\$ (0.38)	\$ (0.04)
Shares used in computing basic and diluted loss per share	844,153,231	502,400,851	358,735,340	325,773,934

	December 31,			
	2000	1999	1998	1997
(In millions)				
Balance Sheet Data:				
Property and equipment, net	\$ 10,030	\$ 4,941	\$ 434	\$ 519
Goodwill and intangibles, net	11,481	6,444	—	—
Net assets of discontinued operations	3,969	3,968	—	—
Total assets	30,185	19,217	2,639	572
Short-term borrowings	1,000	—	—	—
Long-term debt	6,271	4,900	1,066	312
Mandatorily redeemable and cumulative convertible preferred stock	3,158	2,085	483	92
Total shareholders' equity	11,700	9,179	774	74

Other Data:

Working capital not including short-term borrowings	\$ (485)	\$ 1,023	\$ 720	\$ (63)
Cash from operating activities	911	732	349	5
Cash from investing activities	(4,427)	(4,043)	(991)	(429)
Cash from financing activities	3,686	4,060	1,447	425
Recurring Adjusted EBITDA	1,469	626	364	2

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read together with our Consolidated Financial Statements and related notes appearing elsewhere in this Annual Report on Form 10-K.

Recent Financial Accounting Developments

The Company adopted SEC Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements" in the fourth quarter of 2000, effective January 1, 2000. SAB 101 clarifies certain conditions regarding the culmination of the earnings process and customer acceptance requirements in order to recognize revenue. SAB 101 requires the amortization of certain start-up and activation revenues and deferral of associated costs over the contract period or expected customer relationship, whichever is greater. Previously, such revenues and expenses were recognized upon service activation.

Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), as amended by Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of FASB Statement No. 133", and Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", is effective for the Company as of January 1, 2001. SFAS 133 requires that an entity recognize all derivatives as either assets or liabilities measured at fair value. The accounting for changes in the fair value of a derivative depends on the use of the derivative. The initial adoption of these new accounting standards will not have a material effect on the Company's financial statements.

Acquisitions

The Company completed its merger with Frontier Corporation (acquired September 28, 1999) and acquisitions of Global Marine Systems Ltd. (acquired July 2, 1999), Racal Telecom (acquired November 24, 1999), and IXnet, Inc. ("IXnet") and its parent company, IPC Communications, Inc. (acquired June 14, 2000). The acquisition of these entities, as adjusted for the sale of the ILEC segment and GlobalCenter business, is referred to as the "Acquisitions". The increase in revenue and expenses for the years ended December 31, 2000 and 1999 is primarily due to these transactions. Therefore, the comparability of the results of operations for the year ended December 31, 2000 and 1999, as well as December 31, 1999 and 1998, is limited.

Results of Operations for the Years Ended December 31, 2000 and December 31, 1999

Revenues

Actual reported revenues for the years ended December 31, 2000 and 1999 reflect the following changes by segment:

	December 31, 2000	December 31, 1999 (in millions)	Increase/ (Decrease)
Commercial	\$1,421	\$ 258	\$1,163
Consumer	169	48	121
Carrier:			
Service Revenue	1,361	289	1,072
Sales Type Lease Revenue	350	728	(378)
Amortization of prior period IRU's	28	7	21
Total Carrier	<u>1,739</u>	<u>1,024</u>	<u>715</u>
Telecommunications Services Segment Revenue	3,329	1,330	1,999
Installation and Maintenance Segment Revenue	460	161	299
Total Revenues	<u>\$3,789</u>	<u>\$1,491</u>	<u>\$2,298</u>

Revenues for 2000 increased \$2,298 million to \$3,789 million from 1999. The increase in revenue is primarily attributable to the merger of Frontier Corporation ("Frontier") and the acquisitions of Global Marine Systems Ltd. ("Global Marine") and Racal Telecom during 1999, and the IPC Communications, Inc. ("IPC") and IXnet merger in 2000. Revenue for 2000 reflects a full year contribution from Frontier as well as the Global Marine and Racal Telecom acquisitions. In addition, 2000 results of operations reflect 6.5 months of revenues contributed by IPC and IXnet following their acquisition in June 2000.

The following table provides supplemental pro forma detail of Global Crossing revenues for the years ended December 31, 2000 and 1999. Since actual revenues for 1999 reflect the operations of Global Marine after July 2, 1999; Frontier after September 28, 1999; Racal Telecom after November 24, 1999; and 2000 revenues reflect the operations of IXnet and IPC after June 14, 2000, management believes that pro forma revenue provides a more meaningful comparability among periods presented since our historical results only reflect the operations of our acquired entities after the close of each transaction. Pro forma revenue assumes that each merger and acquisition occurred at the beginning of each period. However, pro forma revenue is not necessarily indicative of the results that would have been achieved had such transactions actually occurred at the beginning of each period, nor are they necessarily indicative of our future results.

	Pro forma December 31, 2000	Pro forma December 31, 1999	Increase/ (Decrease)
		(in millions) (unaudited)	
Commercial	\$1,590	\$1,540	\$ 50
Consumer	169	194	(25)
Carrier:			
Service Revenue	1,361	958	403
Sales Type Lease Revenue	350	728	(378)
Amortization of prior period IRU's	28	7	21
Total Carrier	<u>1,739</u>	<u>1,693</u>	<u>46</u>
Telecommunications Services Segment Revenue	3,498	3,427	71
Installation and Maintenance Segment Revenue	460	334	126
Total Revenues	<u>\$3,958</u>	<u>\$3,761</u>	<u>\$ 197</u>

Pro forma commercial revenue increased \$50 million over the prior period due to growth in data commercial revenue offset by a decline in commercial voice services revenue. The increase in data commercial services was due to significant growth in our commercial data products such as private line, frame relay, ATM and IP and growth in our Turret installation business. Voice revenue decreased due to a de-emphasis of these services as demand for data services increased.

Consumer long distance services revenue experienced a decline of \$25 million over the prior period on a pro forma basis. This decline is due to our strategic decision to be the world's premier provider of managed broadband services to multinational enterprises. In addition, per minute price levels declined due to continued competition from new entrants to the market and enhanced voice network capacity in the industry.

Carrier service revenue increased \$403 million over the prior period on a pro forma basis. The increase is due to growth in our carrier voice services revenue and carrier data services revenue. Carrier voice revenue grew due to completion of portions of our global network, providing additional capacity for our carrier customers and expanding carrier relationships. Data revenue, which represents private line, frame relay, ATM and IP services, increased due to the continued expansion of our network resulting in the introduction of our services throughout Europe, Tokyo, major cities in Mexico, and cities in North and South America.

Sales type lease revenue declined \$378 million on a pro forma basis over the prior period. This decline is primarily due to changes in accounting guidance that became effective in the third quarter of 1999. Prior to this

period we recognized revenue from capacity sales upon activation of the circuits, resulting in up-front revenue recognition. On July 1, 1999, Financial Accounting Standards Board (FASB) Interpretation No. 43, "Real Estate Sales, an interpretation of FASB Statement No. 66" ("FIN 43") became effective, limiting the applicability of sales-type lease accounting and requiring revenue from capacity sales to be recorded over the life of the contract where sales-type lease accounting is not permitted. As a result, sales-type lease revenue has significantly decreased over the prior period.

Installation and Maintenance revenue increased \$126 million on a pro forma basis over the prior year. The increase is primarily due to redeployment of vessels from maintenance projects to installation projects which provide larger revenue streams. The number of installation contracts awarded to us and the size of the contracts awarded increased in 2000 from 1999 on a pro forma basis.

Operating Expenses

Components of operating expenses for the years ended December 31, 2000 and 1999 were as follows:

	December 31, 2000	December 31, 1999	Increase/ (Decrease)
			(in millions)
Cost of access and maintenance	\$1,862	\$ 396	\$1,466
Other operating expenses	1,942	648	1,294
Depreciation and amortization	1,381	451	930
Total Operating Expenses	<u>\$5,185</u>	<u>\$1,495</u>	<u>\$3,690</u>

Cost of access and maintenance ("COA&M") includes primarily the following: (i) usage based charges paid to local exchange carriers ("LEC") and interexchange carriers ("IXC") to originate and/or terminate switched voice traffic; (ii) charges for leased lines obtained through our merger with Frontier and acquisition of Racal Telecom in 1999, as well as from our merger of IXnet in 2000; (iii) internet exit charges incurred in transporting IP traffic; and (iv) third party maintenance costs incurred in connection with maintaining cables and landing stations. Due to our 1999 merger and acquisition activity, usage based charges significantly increased over the prior period. The increase of \$1,466 million over 1999 is primarily due to our mergers and acquisitions. For the year ended December 31, 1999, the Company only incurred a partial year of usage based charges and leased line charges associated with the operations of Frontier and Racal Telecom compared to a full year of charges in 2000. Furthermore, the Company incurred 6.5 months of charges associated with the operations of IXnet in 2000 compared to zero charges in 1999. The Company incurred a partial year of internet exit charges associated with GlobalCenter compared to a full year in 2000. The Company also experienced an increase in third party maintenance due to additional systems becoming ready for service ("RFS") during 2000 such as Pacific Crossing-1; all of PAC; phases I and II of South American Crossing; and Mid-Atlantic Crossing. Once a cable is deemed RFS, the Company begins to incur maintenance charges for that cable and its associated landing stations.

Other operating expenses, which increased by \$1,294 million over the prior period, primarily consist of three components, (i) operations, administrative, and internal maintenance expenses; (ii) selling, and general and administrative expenses ("SG&A"); and (iii) cost of goods sold for our cable installation and maintenance unit as well as our Turret installation unit. We experienced an increase to our operations, administrative, and internal maintenance expenses over the prior year that was primarily due to the continued expansion of our network and expenses of acquired companies. SG&A expenses primarily consist of salaries and related benefits, recruiting costs, commissions, marketing and promotional costs, advertising, occupancy costs, travel, and professional fees. SG&A costs increased over the prior period primarily due to increased headcount from our acquisitions. At the end of 1999, we employed approximately 12,400 people, with approximately 12,000 acquired from Frontier, Global Marine and Racal Telecom. Furthermore, the Company increased its headcount in 2000 by approximately 4,000 employees due to the merger with IPC and IXnet as well as additional hires.

Other SG&A costs such as marketing and other promotional expenses increased to support our rapid growth and expanded services. An increase in cost of goods sold also contributed to the increase due to the acquisition of IPC and its turret installation business and a full year of cost of goods sold recorded by our Global Marine division in 2000.

Depreciation and amortization consists of depreciation expense of our property and equipment, which includes our subsea systems as well as goodwill amortization. The \$930 million increase is primarily due to a full year of depreciation on our in-service subsea systems, acquired property and equipment as well as increased goodwill amortization resulting from our acquisitions. During the current year, we recorded a full year of depreciation expense on our in-service subsea systems that we only began depreciating on October 1, 1999 as well as on the acquired property and equipment from our 1999 acquisitions. We also experienced increased depreciation related to varying in-service dates for our subsea systems throughout 2000. Current year results also include depreciation expense on property and equipment acquired from our IXnet and IPC merger. In addition, depreciation and amortization includes non-cash cost of capacity sold resulting from capacity sales that meet the qualifications of sales-type lease accounting. Goodwill amortization for the year increased due to the recognition of a full year of goodwill amortization from our 1999 acquisitions as well as our merger with IXnet and IPC during the current year.

Other significant components of our Statement of Operations for the years ended December 31, 2000 and 1999 include the following:

	December 31, 2000	December 31, 1999 (in millions)	Increase/ (Decrease)
Interest expense	(390)	(137)	(253)
Gain from sale of subsidiary's common stock and concurrent transactions	303	—	303
Other (expense) income, net	(46)	180	(226)
Benefit (provision) for income taxes	145	(108)	253
Loss from discontinued operations	(308)	(59)	(249)
Preferred stock dividends	(221)	(67)	(154)

Interest expense increased \$253 million over 1999 and includes the amortization of finance costs and debt discount. The increase in interest expense over the prior period is due to a full year of finance charges recorded for the debt assumed in the Frontier merger. Furthermore our outstanding debt increased during the current year as a result of further borrowings to support our capital spending which resulted in an increase in interest, net of capitalization.

The \$303 million gain from sale of subsidiary's common stock resulted from our subsidiary, AGC, completing its initial public offering on October 12, 2000, as well as concurrent transactions.

The \$226 million decrease in other income, net is primarily due to a \$210 million payment to us by US West, Inc. included in the results of operations for the year ended December 31, 1999. The payment was in connection with the termination of its merger agreement with us, less related expenses. Other income, net also includes foreign exchange losses, and other immaterial transactions.

For the year ended December 31, 2000, the Company recorded an income tax benefit of \$145 million on a loss from continuing operations of \$1,453 million. For the year ended December 31, 1999, the Company recorded an income tax provision of \$108 million on income from continuing operations of \$115 million. The change in the provision for income tax in relation to the earnings for the respective years is caused by changes in the distribution of earnings to jurisdictions at various tax rates.

Discontinued operations include the operating results of our ILEC business segment as well as GlobalCenter. During 2000, we reported income from discontinued operations, net of tax, related to our ILEC

business segment of \$91 million and a loss from discontinued operations, net of tax, related to GlobalCenter of \$399 million. The increase in the loss of discontinued operations of \$249 million over 1999 is primarily due to the fact that since both these business units were part of our merger with Frontier in September of 1999, the results of the ILEC and GlobalCenter were based on a full year of activity in 2000 compared to only the fourth quarter in 1999. Furthermore, GlobalCenter experienced increased losses in 2000 due to significant expansion of its media distribution centers and their related expenses ahead of a recurring-revenue stream relating to them.

Preferred stock dividends of \$221 million were paid during the year. The increase of \$154 million over the prior year is due to additional issuances of preferred stock in November 1999, December 1999, January 2000 and April 2000, the proceeds of which were used to fund acquisitions and capital spending.

Results of Operations for the Years Ended December 31, 1999 and December 31, 1998

Revenues

Revenue for 1999 increased to \$1,491 million as compared to \$424 million for 1998. For 1999, \$728 million in revenue was recognized up front on IRU sales, while the remaining \$763 million in revenue from our telecommunications services segment primarily resulted from the Frontier merger and Racal acquisition in the fourth quarter of 1999. The installation and maintenance revenues in 1999 resulted from the acquisition of Global Marine on July 2, 1999.

Actual reported revenues for the years ended December 31, 1999 and 1998 reflect the following changes by segment:

	December 31, 1999	December 31, 1998	Increase/ (Decrease)
		(in millions)	
Commercial	\$ 258	\$—	\$ 258
Consumer	48	—	48
Carrier:			
Service Revenue	289		289
Sales Type Lease Revenue	728	419	309
Amortization of prior period IRU's	7	5	2
Total Carrier	1,024	424	600
Telecommunications Services Segment Revenue	1,330	424	906
Installation and Maintenance Segment Revenue	161	—	161
Total Revenues	<u>\$1,491</u>	<u>\$424</u>	<u>\$1,067</u>

Operating Expenses

Components of operating expenses for the years ended December 31, 1999 and 1998 were as follows:

	December 31, 1999	December 31, 1998	Increase/ (Decrease)
		(in millions)	
Cost of access and maintenance	\$ 396	\$ 13	\$ 383
Other operating expenses	648	150	498
Depreciation and amortization	451	141	310
Termination of advisory services agreement	—	140	(140)
Total Operating Expenses	<u>\$1,495</u>	<u>\$444</u>	<u>\$1,051</u>

Cost of access and maintenance increased \$383 million in 1999 compared to 1998. The increase is primarily attributable to the cost of access incurred by our Frontier merger and acquisition of Racal Telecom, whose networks include a significant amount of switched traffic, leased lines, and web hosting services resulting in higher usage based charges, access costs for leased lines, and internet exit charges. In addition, as we continue to expand our network, maintenance requirements on our cables and associated landing stations have also increased.

Other operating expenses which increased \$498 million over the prior period primarily consist of three components, (i) operations, administrative, and internal maintenance expenses; (ii) selling, general and administrative expenses ("SG&A"); and (iii) cost of goods sold for our cable installation and maintenance unit. We experienced an increase to our operations, administrative and internal maintenance expenses primarily due to the costs incurred in connection with the development of our network operations center, expansion of our network and expenses of acquired companies. SG&A expenses primarily consist of salaries and related benefits, recruiting costs, commissions, marketing and promotional costs, occupancy costs, insurance costs, travel, and professional fees. The increase is primarily attributable to additions in headcount, occupancy costs, marketing costs, commissions paid and other promotional expenses to support our rapid growth and the expenses of acquired companies. Operating costs for 1999 also include cost of goods sold for our cable installation and maintenance unit that was obtained through our acquisition of Global Marine in July 1999, and therefore, include approximately six months of costs resulting from our installation and maintenance operations.

Depreciation and amortization increased \$310 million from 1998 to 1999. The increase in depreciation expense was driven by charges from newly acquired companies and depreciation of subsea systems beginning on October 1, 1999. In addition, non-cash cost of capacity sold resulting from capacity sales qualifying for sales-type lease recognition is also included in depreciation and amortization and increased over the prior period in relation to revenues. Goodwill amortization increased during 1999 as a result of our acquisition of Global Marine and Racal Telecom and our merger with Frontier.

In connection with the development and construction of Atlantic Crossing in 1998, we entered into an advisory services agreement with PCG Telecom Services LLC, an affiliate, providing for the payment by us of an advisory fee of 2% of the gross revenue of Atlantic Crossing over a 25 year term. Our board of directors also approved similar advisory fees and authorized us to enter into similar agreements with respect to other cable systems under development by us. We acquired the rights of the persons entitled to the fees payable under these agreements in consideration for the issuance to such persons of shares of our common stock, which had at the time of issuance an aggregate value of \$135 million, and the cancellation of approximately \$3 million owed to us under a related advance agreement. In addition, we recognized approximately \$2 million of advisory fees incurred prior to termination of the contract in 1998. As a result of the termination, costs were not incurred in relation to this agreement in 1999.

Other significant components of our Statement of Operations for the years ended December 31, 1999 and 1998 include the following:

	December 31, 1999	December 31, 1998	Increase/ (Decrease)
		(in millions)	
Interest income	\$ 61	\$ 30	\$ 31
Interest expense	(137)	(42)	(95)
Other income, net	180	—	180
Benefit (provision) for income taxes	(108)	(33)	(75)
Loss from discontinued operations	(59)	—	(59)
Extraordinary loss on retirement of debt	(45)	(20)	(25)
Cumulative effect of change in accounting principle	(14)	—	(14)

Interest income for the year ended December 31, 1999 was \$61 million, compared to \$30 million for the year ended December 31, 1998. The increase is due to earnings on investments of funds from financings and

operations for the year ended December 31, 1999. Interest expense for the year ended December 31, 1999 was \$137 million, compared to \$42 million for the year ended December 31, 1998, due to our acquisition of Global Marine and Racal Telecom, debt assumed in the merger with Frontier and increases in debt outstanding to support our capital spending.

Other income, net for the year ended December 31, 1999 resulted primarily from a \$210 million payment to us by US West, Inc. in connection with the termination of its merger agreement with us, less related expenses.

For the year ended December 31, 1999, the Company recorded an income tax provision of \$108 million on income from continuing operations of \$115 million. For the year ended December 31, 1998, the Company recorded an income tax provision of \$33 million on a loss from continuing operations of \$35 million. The change in the provision for income tax in relation to the earnings for the respective years is caused by changes in the distribution of earnings to jurisdictions at various tax rates.

Discontinued operations include the operating results of our ILEC business as well as GlobalCenter. During the year we reported income from discontinued operations, net of tax, related to our ILEC business of \$18 million. In addition, we also reported loss from discontinued operations, net of tax, related to GlobalCenter of \$77 million.

Extraordinary loss from retirement of debt for the year ended December 31, 1999 was \$45 million compared to \$20 million for the year ended December 31, 1998. During 1999, we recognized an extraordinary loss of \$14 million resulting from prepayment of existing debt in connection with the issuance of our \$3 billion Senior Secured Credit Facility and an additional \$31 million for the early extinguishment of \$2 billion, in principal value, under the Senior Secured Credit Facility. During 1998, we recognized an extraordinary loss of \$20 million in connection with the repurchase of Global Telesystems Holdings' outstanding senior notes, comprising a premium of \$10 million and a write-off of \$10 million of unamortized deferred financing costs.

We adopted Statement of Position 98-5 ("SOP 98-5"), "Reporting on the Cost of Start-Up Activities," issued by the American Institute of Certified Public Accountants, during the year ended December 31, 1999. SOP 98-5 requires that certain start-up expenditures previously capitalized during system development must now be expensed. We incurred a one-time charge during the first quarter of \$14 million, net of tax that represents start-up costs incurred and capitalized during previous periods.

Liquidity and Capital Resources

During the year ended December 31, 2000, we and our affiliates arranged approximately \$5 billion in financing. We estimate the remaining cost of developing and deploying the announced systems on the Global Crossing Network to be approximately \$1.6 billion, excluding costs of potential future upgrades. We estimate total capital expenditures for 2001 to be approximately \$4.9 to \$5.1 billion. In order to fund our capital expenditure requirements, we anticipate that we will have available for 2001 approximately \$6.1 to \$6.2 billion in liquid resources comprised of the following:

- At December 31, 2000, we had available cash and cash equivalents as well as restricted cash and cash equivalents of \$1.6 billion and unused capacity on our senior secured revolving credit facility of approximately \$532 million. As a result, we entered 2001 with approximately \$2.1 billion in liquid resources.
- In January 2001, Global Crossing Holdings Ltd. issued \$1 billion of Senior Notes Due August 2007 through a private placement. The proceeds have been used to repay some of our senior indebtedness, consisting of loans under our senior credit facility.

- On July 11, 2000, we entered into an agreement to sell our ILEC business segment for \$3,650 million. Net proceeds from the sale are expected to be approximately \$1.7 billion after repayment of a short-term bridge loan and income taxes. We expect the sale to close by the Summer of 2001.

Based on the above, we expect we will have sufficient resources to fund our operations during 2001. These projections assume we do not dispose of any of our strategic investments, certain of which are subject to significant transfer restrictions.

In April 2000, we issued 21,673,706 shares of our common stock for net proceeds of approximately \$694 million and 4,000,000 shares of 6¾% cumulative convertible preferred stock at a liquidation preference of \$250 per share for net proceeds of approximately \$970 million. In May 2000, pursuant to an over-allotment option held by the underwriters of the preferred stock, the Company issued an additional 600,000 shares of 6¾% cumulative convertible preferred stock for net proceeds of approximately \$146 million. We are using the proceeds of these offerings for general corporate purposes, principally capital for the expansion of our business.

In August 2000, we amended and restated the terms of our existing senior secured corporate credit facility, increasing the corporate credit facility from \$1 billion to \$2.25 billion. The amended agreement provides for a \$1 billion revolving credit facility that matures in July 2004, a \$700 million revolving term facility that converts to a term loan in August 2002 and matures in July 2004; and a \$550 million term loan that matures in June 2006. The borrowings under the facilities may be used for working capital and general corporate purposes.

During August and September 2000, we repaid debt assumed in connection with the IPC acquisition. As a result of the transaction, the Company recorded an extraordinary loss of \$18 million.

On October 12, 2000, AGC completed its initial public offering, which raised net proceeds of approximately \$455 million, including the subsequent exercise of the underwriters' over-allotment option. Concurrent with the initial public offering, AGC issued \$408 million of 13.375% Senior Notes Due 2010.

On October 13, 2000, the Company, through a direct subsidiary of Global Crossing North America, Inc. ("GCNA"), entered into a \$1 billion unsecured credit facility ("Bridge Loan") due April 10, 2002 or upon closing or abandonment of the sale of the ILEC. The Bridge Loan is funded through a commercial paper conduit. Interest is payable at a rate of LIBOR plus 1%. Should the conduit discontinue to fund the Bridge Loan, committed bank purchasers will fund the Bridge Loan at an interest rate of LIBOR plus 2.25%. Proceeds from the Bridge Loan were used to repay approximately \$768 million of borrowings under the credit facilities incurred in connection with the Company's purchase of Racal Telecom in November 1999. As a result of the transaction, the Company wrote-off approximately \$24 million of deferred financing costs. Proceeds from the Bridge Loan will also be used for general corporate purposes.

In January 2001, the Company completed the sale of GlobalCenter to Exodus Communications. Under the terms of the agreement, Global Crossing received 108.2 million Exodus common shares, valued at \$1.95 billion at the date of the closing and \$1.65 billion at March 1, 2001.

The Company has extended limited amounts of financing to 13 customers in connection with certain capacity sales. The financing terms provide for installment payments of up to four years. The Company believes that its extension of financing to its customers will not have a material effect on the Company's liquidity.

Cash provided by operating activities was \$911 million and \$732 million for the years ended December 31, 2000 and 1999, respectively. The increase is primarily due to an increase in cash received from capacity sales over the prior year. Capacity sales increased in 2000 due to the completion of domestic and international portions of our global network, providing additional capacity for our carrier customers. This increase was offset by an increase in cash used for operating expenses such as general and administrative, selling and marketing,

and other operating costs. The increase in our operating costs were primarily driven by our growth over the past year due to our 1999 and 2000 acquisitions, as well as growth in our existing business. Our 1999 acquisitions had only a partial year of cash requirements in 1999 compared to a full year in 2000, and our 2000 acquisition of IPC and IXnet also increased the use of cash for operating expenses in the current year.

Cash used in investing activities was \$4,427 million and \$4,043 million for the years ended December 31, 2000 and 1999, respectively. The \$384 million increase is attributed to an increase in cash used for the purchase of property and equipment in the current year offset by a decrease in cash used for acquisitions. In 2000, several portions of our global network were completed which resulted in an increase of cash used for purchases of property and equipment of \$2,327 million over 1999. This increase in cash used was offset by a decrease in cash used for acquisitions compared to 1999. In 2000, our merger with IPC and IXnet was a stock for stock transaction compared to 1999 in which \$2,457 million of cash was used to fund our acquisitions.

Cash provided by financing activities was \$3,686 million and \$4,060 million for the years ended December 31, 2000 and 1999, respectively. The decrease of \$374 million in cash provided by financing activities is primarily due to a \$2,065 million reduction in proceeds received from financing sources, offset by a \$1,773 million reduction in the repayment of debt in 2000 as compared to 1999.

We have a substantial amount of indebtedness. Based upon the current level of operations, our management believes that our cash flows from operations, together with available borrowings under our credit facility, and our continued ability to raise capital, will be adequate to meet our anticipated requirements for working capital, capital expenditures, acquisitions and other discretionary investments, interest payments and scheduled principal payments for the foreseeable future. There can be no assurance, however, that our business will continue to generate cash flow at or above current levels or that currently anticipated improvements will be achieved. Also, there can be no assurance that our business facility and our continued ability to raise capital will be adequate to meet our anticipated requirements for working capital, capital expenditures, acquisitions and other discretionary investments, interest payments and scheduled principal payments for the foreseeable future. If we are unable to generate sufficient cash flow and raise capital to service our debt, we may be required to reduce capital expenditures, refinance all or a portion of our existing debt or obtain additional financing.

Euro Conversion

On January 1, 1999, a single currency called the Euro was introduced in Europe. Eleven of the fifteen member countries of the European Union agreed to adopt the Euro as their common legal currency on that date. Fixed conversion rates between these countries' existing currencies (legacy currencies) and the Euro were established as of that date. The legacy currencies are scheduled to remain legal tender in these participating countries between January 1, 1999 and January 1, 2002 (not later than July 1, 2002). During this transition period, parties may settle transactions using either the Euro or a participating country's legacy currency.

As most of our sales and expenditures are denominated in United States dollars, management does not believe that the Euro conversion will have a material adverse impact on our business or financial condition. We do not expect the cost of system modifications to be material and we will continue to evaluate the impact of the Euro conversion.

Inflation

We do not believe that our business is impacted by inflation to a significantly different extent than the general economy.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

The table below provides information about our market sensitive financial instruments and constitutes a “forward-looking statement.” Our major market risk exposure is changing interest rates. Our policy is to manage interest rates through use of a combination of fixed and floating rate debt. Interest rate swaps may be used to adjust interest rate exposures when appropriate, based upon market conditions, and the Company does not engage in such transactions for speculative purposes.

Expected maturity dates	2001	2002	2003	2004	2005	Thereafter	Total	Fair Value	
								12/31/2000	12/31/1999
								(in millions)	
DEBT									
9½% Senior Notes due 2009	\$ —	\$ —	\$ —	\$ —	\$ —	\$1,100	\$1,100	\$1,040	\$1,087
Average interest rates—fixed						9.5%			
9¼% Senior Notes due 2006	—	—	—	—	—	900	900	860	889
Average interest rates—fixed						9.1%			
9¾% Senior Notes due 2008	—	—	—	—	—	800	800	757	798
Average interest rates—fixed						9.6%			
Asia Global Crossing 13¾% Senior Notes Due 2010	—	—	—	—	—	408	408	354	N/A
Average interest rates—fixed						13.4%			
Senior Secured Credit Facility—Revolving	—	—	—	1,168	—	—	1,168	1,168	649
Average interest rates—variable						(a)			
Senior Secured Credit Facility—Term Loan B	2	4	4	4	269	267	550	550	N/A
Average interest rates—variable						(b)			
ILEC Bridge Loan	1,000	—	—	—	—	—	1,000	1,000	N/A
Average interest rates—variable						(c)			
Medium-Term Notes, 8.8%-9.3%, due 2001 to 2021	72	—	—	20	—	100	192	171	180
Average interest rates—fixed	8.9%			9.3%		9.0%			
7¼% Senior Notes due 2004	—	—	—	300	—	—	300	275	282
Average interest rates—fixed				7.3%					
6% Dealer Remarketed Securities (“Drs”) Due 2013	—	—	—	—	—	200	200	199	187
Average interest rates—variable						(d)			
Pacific Crossing Term Loan A-1	40	85	100	113	139	—	477	477	N/A
Average interest rates—variable						(e)			
Pacific Crossing Term Loan B	1	3	3	3	3	311	324	324	N/A
Average interest rates—variable						(f)			
Other	2	—	—	4	—	—	6	6	154
Average interest rates—variable						(g)			
DERIVATIVE INSTRUMENTS									
Interest rate swap floating for fixed—									
Contract notional amount	—	—	—	—	200	—	200	—	7
Fixed rate paid by counterparty					7.3%				
Floating rate paid by GCL					(h)				
Interest rate swaps fixed for floating—									
Contract notional amount	—	—	—	—	500	—	500	9	N/A
Fixed rate paid by GCL					5.0%				
Floating rate paid by counterparty					(i)				

- (a) The interest rate is US dollar LIBOR + 2.25% which was 9.0% as of December 31, 2000.
- (b) The interest rate is British pound LIBOR + 2.75% which was 9.3% as of December 31, 2000.
- (c) The cost of funds, including certain ongoing bank fees, is approximately 0.97% over the 1 month commercial paper note. As of December 31, 2000, the financing cost of the ILEC Bridge Loan was 7.6%.
- (d) The interest rate is fixed at 6.0% until October 2003. At that time, the remarketing dealer (J.P. Morgan) has the option to remarket the notes at prevailing interest rates or tender the notes for redemption.
- (e) The interest rate is 1 month US dollar LIBOR + 2.25%, which was 8.9% as of December 31, 2000.
- (f) The interest rate is 1 month US dollar LIBOR + 2.50%, which was 9.1% as of December 31, 2000.
- (g) Various fixed and floating-rate obligations with effective interest rates from 0% to 9.0%.
- (h) The interest rate is 6 month US dollar LIBOR + 1.26%, which is set in arrears.
- (i) The interest rate is 1 month US dollar LIBOR, which was 6.6% as of December 31, 2000.

Foreign Currency Risk

For those subsidiaries using the U.S. dollar as their functional currency, translation adjustments are recorded in the accompanying condensed consolidated statements of operations. None of our translation adjustments were material as of and for the years ended December 31, 2000 and 1999.

For those subsidiaries not using the U.S. dollar as their functional currency, assets and liabilities are translated at exchange rates in effect at the balance sheet date and income and expense accounts at average exchange rates during the period. Resulting translation adjustments are recorded directly to a separate component of shareholders' equity. As of and for the years ended December 31, 2000 and 1999, we incurred foreign currency translation losses of \$138 million and \$21 million, respectively. For the year ended December 31, 1998, the translation losses were immaterial.

We use foreign currency forward transactions to hedge exposure to foreign currency exchange rate fluctuations. The Euro was the principal currency hedged by us. Changes in the value of forward foreign exchange contracts, which are designated as hedges of foreign currency denominated assets and liabilities, are classified in the same manner as changes in the underlying assets and liabilities.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the index included on page F-1, Index to Consolidated Financial Statements and Schedule.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is incorporated herein by reference to the Company's definitive proxy statement for the Company's Annual General Meeting of Shareholders to be held on June 13, 2001.

ITEM 11. EXECUTIVE COMPENSATION

The information required by the Item is incorporated herein by reference to the Company's definitive proxy statement for the Company's Annual General Meeting of Shareholders to be held on June 13, 2001.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated herein by reference to the Company's definitive proxy statement for the Company's Annual General Meeting of Shareholders to be held on June 13, 2001.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated herein by reference to the Company's definitive proxy statement for the Company's Annual General Meeting of Shareholders to be held on June 13, 2001.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) List of documents filed as part of this report:

1. Financial Statements—Included in Part II of this Form 10-K:

Consolidated Balance Sheets as of December 31, 2000 and 1999.

Consolidated Statements of Operations for the years ended December 31, 2000, 1999, and 1998.

Consolidated Statements of Shareholders' Equity for the years ended December 31, 2000, 1999, and 1998.

Consolidated Statements of Cash Flows for the years ended December 31, 2000, 1999, and 1998.

Consolidated Statements of Comprehensive Loss for the years ended December 31, 2000, 1999, and 1998.

Notes to Consolidated Financial Statements

2. Financial Statement Schedule—Included in Part II of this Form 10-K:

Schedule II—Valuation and Qualifying Accounts

3. Exhibit Index:

<u>Exhibit Number</u>	<u>Exhibit</u>
2.1	Agreement and Plan of Merger, dated as of March 16, 1999 (the "Frontier Merger Agreement"), among the Registrant, Frontier Corporation and GCF Acquisition Corp. (incorporated by reference to Exhibit 2 to the Registrant's Current Report on Form 8-K filed on March 19, 1999 (the "March 19, 1999 8-K")).
2.2	Consent and Amendment No. 1 to the Frontier Merger Agreement, dated as of May 16, 1999, among the Registrant, GCF Acquisition Corp. and Frontier Corporation (incorporated by reference to Exhibit 2 to the Registrant's Current Report on Form 8-K filed on May 18, 1999 (the "May 18, 1999 8-K")).
2.3	Amendment No. 2 to the Frontier Merger Agreement, dated as of September 2, 1999, among the Registrant, GCF Acquisition Corp. and Frontier Corporation (incorporated by reference to Exhibit 2 to the Registrant's Current Report on Form 8-K filed on September 3, 1999 (the "September 3, 1999 8-K")).
2.4	Sale and Purchase Agreement, dated as of April 26, 1999, between Cable & Wireless plc and the Registrant (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on July 16, 1999 (the "July 16, 1999 8-K")).
2.5	Amendment to the Sale and Purchase Agreement, dated as of June 25, 1999, between Cable & Wireless plc and the Registrant (incorporated by reference to Exhibit 2.2 to the July 16, 1999 8-K).
2.6	Agreement and Plan of Merger, dated as of May 16, 1999, between the Registrant and U S West, Inc. (incorporated by reference to Exhibit 2 to the Registrant's Current Report on Form 8-K filed on May 21, 1999 (the "May 21, 1999 8-K")).
2.7	Letter Agreement, dated as of May 16, 1999, between the Registrant and U S West, Inc. (incorporated by reference to Exhibit 99 to the May 21, 1999 8-K).
2.8	Termination Agreement, dated as of July 18, 1999, between the Registrant and U S West, Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on July 20, 1999 (the "July 20, 1999 8-K")).

**Exhibit
Number**

Exhibit

- 2.9 Sale Agreement, made on October 10, 1999, between Controls and Communications Limited, The Racal Corporation, Racal Electronics Plc and the Registrant (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on October 21, 1999 (the "October 21, 1999 8-K"))).
- 2.10 Agreement and Plan of Merger, dated as of February 22, 2000, among the Registrant, Georgia Merger Sub Corporation, IPC Communications, Inc., IPC Information Systems, Inc., Idaho Merger Sub Corporation and IXnet, Inc. (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on March 2, 2000 (the "March 2, 2000 8-K"))).
- 2.11 Stock Purchase Agreement, dated as of July 11, 2000, by and among the Registrant, Global Crossing North America, Inc. and Citizens Communications Company (incorporated by reference to Exhibit 2 to the Registrant's Current Report on Form 8-K filed on July 19, 2000).
- 2.12 Agreement and Plan of Merger among Exodus Communications, Inc., Einstein Acquisition Corp., Global Crossing GlobalCenter Holdings, Inc., GlobalCenter Holding Co., GlobalCenter Inc., and Global Crossing North America, Inc., dated as of September 28, 2000 (incorporated by reference to the Registrant's Current Report on Form 8-K dated September 28, 2000, filed on October 17, 2000).
- 3.1 Memorandum of Association of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1/A filed on July 2, 1998 (the "July 2, 1998 S-1/A"))).
- 3.2 Certificate of Incorporation of Change of Name of the Registrant dated April 30, 1998 (incorporated by reference to Exhibit 3.3 to the Registrant's Registration Statement on Form S-1/A filed on July 23, 1998 (the "July 23, 1998 S-1/A"))).
- 3.3 Memorandum of Increase of Share Capital of the Registrant dated July 9, 1998 (incorporated by reference to Exhibit 3.4 to the July 23, 1998 S-1/A).
- 3.4 Memorandum of Increase of Share Capital of the Registrant dated September 27, 1999 (incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q filed on November 15, 1999 (the "November 15, 1999 10-Q"))).
- 3.5 Bye-laws of the Registrant as in effect on October 14, 1999 (incorporated by reference to Exhibit 3.2 to the November 15, 1999 10-Q).
- 3.6 Memorandum of Association of Global Crossing Holdings Ltd. (incorporated by reference to Exhibit 3.1 of Global Crossing Holdings Ltd.'s Registration Statement on Form S-4 (File No. 333-61457)).
- 3.7 Bye-laws of Global Crossing Holdings Ltd. (incorporated by reference to Exhibit 3.2 to Global Crossing Holdings Ltd.'s Registration Statement on Form S-4 (File No. 333-61457)).
- 3.8 Certificate of Designations of 6 $\frac{3}{8}$ % Cumulative Convertible Preferred Stock of the Registrant dated November 5, 1999 (incorporated by reference to Exhibit 3.3 to the November 15, 1999 10-Q).
- 3.9 Certificate of Designations of 7% Cumulative Convertible Preferred Stock of the Registrant, dated December 15, 1999 (incorporated by reference to Exhibit 3.2 to Global Crossing Holdings Ltd.'s Registration Statement on Form S-4 (File No. 333-61457)).
- 3.10 Certificate of Designations of 6 $\frac{3}{4}$ % Cumulative Convertible Preferred Stock, Series B of the Registrant, dated January 12, 2000 (incorporated by reference to Exhibit 3.10 to the Registrant's Annual Report on Form 10-K filed on March 16, 2000).
- 3.11 Certificate of Designations of 6 $\frac{3}{4}$ % Cumulative Convertible Preferred Stock of the Registrant, dated April 14, 2000 (incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q filed on May 15, 2000 (the "May 15, 2000 10-Q"))).

**Exhibit
Number**

Exhibit

- 4.1 Certificate of Designations of 10½% Senior Exchangeable Preferred Stock Due 2008 of Global Crossing Holdings Ltd. dated December 1, 1998 (incorporated by reference to Schedule A to Exhibit 3.2 to the Global Crossing Holdings Ltd. Registration Statement on Form S-4 filed on December 22, 1998).
- 4.2 Indenture, dated as of May 18, 1998, between Global Crossing Holdings Ltd. and United States Trust Company of New York, as Trustee (incorporated by reference to Exhibit 4.2 to the Global Crossing Holdings Ltd. Registration Statement on Form S-4 filed on December 22, 1998).
- 4.3 Supplemental Indenture, dated as of June 25, 1999, between Global Crossing Holdings Ltd. and United States Trust Company of New York, to the Indenture dated as of May 18, 1998 (incorporated by reference to Exhibit 4.4 to the Registrant's Registration Statement on Form S-4 filed on July 12, 1999).
- 4.4 Amended and Restated Credit Agreement dated as of August 10, 2000 (the "Corporate Credit Facility") among Global Crossing Ltd., Global Crossing Holdings Ltd., Global Crossing North America, Inc., the Lenders party thereto and The Chase Manhattan Bank as Administrative Agent (incorporated by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q filed on November 14, 2000).
- 4.5 Amendment No. 1, dated as of August 10, 2000, to the Corporate Credit Facility (filed herewith).
- 4.6 Indenture, dated as of November 19, 1999, among the Registrant, Global Crossing Holdings Ltd. and United States Trust Company of New York (incorporated by reference to Exhibit 4.5 to the Global Crossing Holdings Ltd. Registration Statement on Form S-4 filed on January 11, 2000 (File No. 333-94449)).
- 4.7 Indenture, dated as of January 29, 2001, among the Registrant, Global Crossing Holdings Ltd. and United States Trust Company of New York (filed herewith).

Except as hereinabove provided, there is no instrument with respect to long-term debt of the Registrant and its consolidated subsidiaries under which the total authorized amount exceeds 10 percent of the total consolidated assets of the Registrant. The Registrant agrees to furnish to the SEC upon its request a copy of any instrument relating to long-term debt.

- 10.1 Project Development and Construction Contract, dated as of March 18, 1997, among AT&T Submarine Systems, Inc. and Atlantic Crossing Ltd. (formerly Global Telesystems Ltd.) (incorporated by reference to Exhibit 10.2 to the July 23, 1998 S-1/A).
- 10.2 Project Development and Construction Contract, dated as of April 21, 1998, among Tyco Submarine Systems, Ltd. and Pacific Crossing Ltd. (incorporated by reference to Exhibit 10.3 to the July 23, 1998 S-1/A).
- 10.3 Project Development and Construction Contract, dated as of June 2, 1998, among Alcatel Submarine Networks and Mid-Atlantic Crossing Ltd. (incorporated by reference to Exhibit 10.4 to the July 23, 1998 S-1/A).
- 10.4 Project Development and Construction Contract, dated as of July 21, 1998, among Tyco Submarine Systems, Ltd. and Pan American Crossing Ltd. (incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q filed on November 16, 1998).
- 10.5 Project Development and Construction Contract, dated as of July 30, 1999, among Alcatel Submarine Networks and South American Crossing Ltd. (incorporated by reference to Exhibit 10.5 to the Global Crossing Holdings Registration Statement on Form S-4 filed on January 11, 2000 (File No. 333-94449)) (portions have been omitted pursuant to a request for confidential treatment).

**Exhibit
Number**

Exhibit

- 10.6 Lease made as of October 1, 1999 between North Crescent Realty V, LLC and Global Crossing Development Company (incorporated by reference to Exhibit 10.1 to the November 15, 1999 10-Q).
- 10.7 Form of Stockholders Agreement dated as of August 12, 1998 among the Registrant and the investors named therein (incorporated by reference to Exhibit 9.1 to the July 23, 1998 S-1/A).
- 10.8 Termination of Stockholders Agreement dated as of February 22, 2000 among the Registrant and the investors named therein (incorporated by reference to Exhibit 10.1 to the May 15, 2000 10-Q).
- 10.9 Form of Registration Rights Agreement dated as of August 12, 1998 among the Registrant and the investors named therein (incorporated by reference to Exhibit 4.4 to the July 23, 1998 S-1/A).
- 10.10 Voting Agreement, dated as of March 16, 1999, among certain shareholders of the Registrant parties thereto, Frontier Corporation and, for certain purposes only, the Registrant (incorporated by reference to Exhibit 10.2 to the March 19, 1999 8-K).
- 10.11 Second Reaffirmation of Voting Agreement and Share Transfer Restriction Agreement, dated as of September 2, 1999 (incorporated by reference to Annex S-B to the joint proxy statement/prospectus supplement included in the Registrant's Registration Statement on Form S-4 filed on September 8, 1999 (the "September 8, 1999 S-4").
- 10.12 Share Transfer Restriction Agreement, dated as of September 2, 1999, among certain shareholders of Global Crossing Ltd., certain shareholders of Frontier Corporation and Global Crossing Ltd. (incorporated by reference to Annex S-C to the joint proxy statement/prospectus supplement included in the September 8, 1999 S-4).
- 10.13 Tender Offer and Purchase Agreement, dated as of May 16, 1999, between the Registrant and U S WEST, Inc. (incorporated by reference to Exhibit (c)(2) to U S WEST, Inc.'s Schedule 14D-1 filed on May 21, 1999).
- 10.14 Standstill Agreement dated as of May 16, 1999 between U S WEST, Inc. and the Registrant (incorporated by reference to Exhibit (c)(4) to U S WEST, Inc.'s Schedule 14D-1 filed on May 21, 1999).
- 10.15 Voting Agreement dated as of May 16, 1999 between U S WEST, Inc. and the Registrant (incorporated by reference to Exhibit (c)(3) to U S WEST, Inc.'s Schedule 14D-1 filed on May 21, 1999).
- 10.16 Tender and Voting Agreement dated as of May 16, 1999 among U S WEST, Inc., the Registrant and the shareholders party thereto (incorporated by reference to Exhibit (c)(5) to U S WEST, Inc.'s Schedule 14D-1 filed on May 21, 1999).
- 10.17 Agreement dated as of May 16, 1999 among the Registrant and the shareholders party thereto (incorporated by reference to Exhibit (c)(6) to U S WEST, Inc.'s Schedule 14D-1 filed on May 21, 1999).
- 10.18 Transfer Agreement dated as of May 16, 1999 among the Registrant and the shareholders party thereto (incorporated by reference to Exhibit (c)(8) to U S WEST, Inc.'s Schedule 14D-1 filed on May 21, 1999).
- 10.19 Amendment No. 1 dated as of July 18, 1999 to Tender Offer and Purchase Agreement dated as of May 16, 1999 between the Registrant and U S WEST, Inc. (incorporated by reference to Exhibit 10.2 to the July 20, 1999 8-K).
- 10.20 Agreement, dated as of July 18, 1999, between Qwest Communications International Inc. and the Registrant (incorporated by reference to Exhibit 10.3 to the July 20, 1999 8-K).

Exhibit
Number

Exhibit

- 10.21 Agreement, dated as of July 18, 1999, between Global Crossing Holdings Ltd. and Qwest Communications International Inc. (incorporated by reference to Exhibit 10.4 to the July 20, 1999 8-K).
- 10.22 Registration Rights Agreement dated as of November 5, 1999 among the Registrant and the initial purchasers of the Registrant's 6¾% Cumulative Convertible Preferred Stock named therein (incorporated by reference to the Registrant's Registration Statement on Form S-3 filed on January 18, 2000 relating to such securities).
- 10.23 Registration Rights Agreement dated as of November 5, 1999 among the Registrant and the initial purchasers of the Registrant's 7% Cumulative Convertible Preferred Stock named therein (incorporated by reference to the Registrant's Registration Statement on Form S-3 filed on January 18, 2000 relating to such securities).
- 10.24 Subscription and Sale and Purchase Agreement, dated November 15, 1999, among Hutchison Whampoa Limited, Hutchison Telecommunications Limited, the Registrant and HCL Holdings Limited (incorporated by reference to Exhibit 10.33 to the Global Crossing Holdings Ltd. Registration Statement on Form S-4 filed on January 11, 2000 (File No. 333-94449)).
- 10.25 Registration Rights Agreement dated as of January 29, 2001 among the Registrant, Global Crossing Holdings Ltd. and the initial purchasers of Global Crossing Holdings Ltd.'s 8.70% Senior Notes due 2007 (filed herewith).
- 10.26 Option Limitation Agreement, dated as of February 22, 2000, among the Registrant, IPC Communications, Inc., IXnet Inc., and the individuals signatory thereto (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on August 14, 2000).
- 10.27 1998 Global Crossing Ltd. Stock Incentive Plan as amended and restated as of May 1, 2000 (incorporated by reference to Annex A to the Registrant's definitive proxy statement on Schedule 14A filed on May 8, 2000).
- 10.28 Form of Non-Qualified Stock Option Agreement as in effect on September 30, 1999 (incorporated by reference to Exhibit 10.2 to the November 15, 1999 10-Q).
- 10.29 Asia Global Crossing 2000 Stock Incentive Plan (incorporated by reference to Exhibit 10.14 to Asia Global Crossing Ltd.'s Annual Report on Form 10-K for the year ended December 31, 2000).
- 10.30 Global Crossing Senior Executive Incentive Compensation Plan (incorporated by reference to Annex B to the Registrant's definitive proxy statement on Schedule 14A filed on May 8, 2000).
- 10.31 Global Crossing Supplemental Retirement Savings Plan as amended and restated effective January 1, 2001 (filed herewith).
- 10.32 Employment Agreement dated as of February 19, 1999 between the Registrant and Robert Annunziata (incorporated by reference to Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q filed on May 10, 1999).
- 10.33 Letter agreement dated March 2, 2000 relating to the termination of the Employment Agreement dated as of February 9, 1999 between the Registrant and Robert Annunziata (incorporated by reference to Exhibit 10.4 of the Registrant's May 15, 2000 10-Q).
- 10.34 Executive Contract dated March 25, 1996 between Robert L. Barrett and Frontier Corporation (incorporated by reference to Exhibit 10.25 to Frontier Corporation's Quarterly Report on Form 10-Q filed May 14, 1996).
- 10.35 Amendment dated May 1, 1999 to Executive Contract between Robert L. Barrett and Frontier Corporation (incorporated by reference to Exhibit 10.7 to the November 15, 1999 10-Q).

**Exhibit
Number**

Exhibit

- 10.36 Executive Contract dated January 1, 1998 between Joseph P. Clayton and Frontier Corporation (incorporated by reference to Exhibit 10.22 to Frontier Corporation's Annual Report on Form 10-K filed March 26, 1998).
- 10.37 Amendment dated May 1, 1999 to Executive Contract between Joseph P. Clayton and Frontier Corporation (incorporated by reference to Exhibit 10.9 to the November 15, 1999 10-Q).
- 10.38 Employment Agreement dated as of December 3, 1999 between the Registrant and John A. Scarpati (incorporated by reference to Exhibit 10.36 to the Registrant's Annual Report on Form 10-K filed on March 16, 2000).
- 10.39 Employment Agreement dated as of December 5, 1999 between the Registrant and Leo J. Hindery, Jr. (incorporated by reference to Exhibit 10.33 to the Registrant's Annual Report on Form 10-K filed on March 16, 2000).
- 10.40 Clarification letter dated April 17, 2000, relating to the Employment Agreement dated as of December 5, 1999 between the Registrant and Leo J. Hindery, Jr. (incorporated by reference to Exhibit 10.5 to the Registrant's May 15, 2000 10-Q).
- 10.41 Employment Term Sheet dated as of April 26, 2000 between the Registrant and Gary A. Cohen (incorporated by reference to Exhibit 10.6 to the Registrant's May 15, 2000 10-Q).
- 10.42 Employment Term Sheet dated as of May 1, 2000 between the Registrant and Joseph P. Perrone (incorporated by reference to Exhibit 10.7 to the May 15, 2000 10-Q).
- 10.43 Employment Agreement dated October 12, 2000 between the Registrant and Thomas J. Casey (filed herewith).
- 10.44 Promissory note dated as of November 14, 2000 between Thomas J. Casey and Global Crossing Development Co. (filed herewith).
- 10.45 Form of Change in Control Agreement between the Registrant and Executive Officers of the Registrant approved by the Board of Directors in January 2000 (incorporated by reference to Exhibit 10.34 to the Registrant's Annual Report on Form 10-K filed on March 16, 2000).
- 10.46 The Global Crossing Ltd. Deferred Compensation Plan for Directors (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-8 filed on June 14, 2000).
- 10.47 The Global Crossing Ltd. Deferred Compensation Plan for Executives (incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-8 filed June 14, 2000).
- 10.48 Subordinated Note-A between the Registrant and Asia Global Crossing Ltd. dated as of October 11, 2000 (incorporated by reference to Exhibit 4.4 to Asia Global Crossing Ltd.'s Quarterly Report on Form 10-Q filed November 20, 2000).
- 10.49 Subordinated Note-B between the Registrant and Asia Global Crossing Ltd. dated as of October 11, 2000 (incorporated by reference to Exhibit 4.5 to Asia Global Crossing Ltd.'s Quarterly Report on Form 10-Q filed November 20, 2000).
- 10.50 Promissory note dated as of March 20, 2001 between David Walsh and Global Crossing Development Co. (filed herewith).
- 12.1 Computation of Ratio of Earnings to Fixed Charges (filed herewith).
- 21.1 Subsidiaries of the Registrant (filed herewith).
- 23.1 Consent of Arthur Andersen (filed herewith).

(b) Reports on Form 8-K.

During the quarter ended December 31, 2000, the following reports on Form 8-K were filed by the Registrant:

1. Current Report on Form 8-K dated September 28, 2000, (date of earliest event reported), filed on October 17, 1999, for the purpose of reporting, under Item 5, the execution of an agreement to sell GlobalCenter to Exodus Communications, Inc.
2. Current Report on Form 8-K dated October 11, 2000 (date of earliest event reported), filed on October 12, 1999, for the purpose of filing, under Item 5, the appointment of Thomas J. Casey as Chief Executive Officer.

(c) See Item 14(a)(3) above.

(d) See Item 14(a)(2) above.

GLOBAL CROSSING LTD. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Global Crossing Ltd.:

We have audited the accompanying consolidated balance sheets of Global Crossing Ltd. (a Bermuda company) and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of operations, shareholders' equity, cash flows and comprehensive loss for each of the three years ended December 31, 2000. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Crossing Ltd. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

As explained in Note 2 to the consolidated financial statements, effective January 1, 2000, the Company changed its method of accounting for certain installation revenues and costs and effective January 1, 1999, the Company changed its method of accounting for start-up costs.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the Index to Consolidated Financial Statements and Schedule is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ ARTHUR ANDERSEN

Arthur Andersen

Hamilton, Bermuda
February 14, 2001

GLOBAL CROSSING LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in millions, except share and per share information)

	December 31,	
	2000	1999
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,477	\$ 1,630
Restricted cash and cash equivalents	146	17
Accounts receivable, net of allowance for doubtful accounts of \$110 in 2000 and \$84 in 1999	880	843
Note receivable	164	—
Other assets and prepaid costs	515	211
Total current assets	3,182	2,701
Restricted cash and cash equivalents	—	138
Property and equipment, net	10,030	4,941
Goodwill and intangibles, net of accumulated amortization of \$555 in 2000 and \$75 in 1999	11,481	6,444
Investment in and advances to/from affiliates, net	607	318
Other assets	916	707
Net assets of discontinued operations	3,969	3,968
Total assets	<u>\$30,185</u>	<u>\$19,217</u>
LIABILITIES:		
Current liabilities:		
Short-term borrowings	\$ 1,000	\$ —
Accounts payable	401	421
Accrued construction costs	811	275
Other current liabilities	2,455	982
Total current liabilities	4,667	1,678
Long-term debt	6,271	4,900
Deferred revenue	1,700	382
Other deferred liabilities	1,740	642
Total liabilities	14,378	7,602
MINORITY INTEREST	949	351
MANDATORILY REDEEMABLE AND CUMULATIVE CONVERTIBLE PREFERRED STOCK	3,158	2,085
SHAREHOLDERS' EQUITY:		
Common stock, 3,000,000,000 shares authorized, par value \$.01 per share, 906,339,273 and 799,137,142 shares issued as of December 31, 2000 and 1999, respectively	9	8
Treasury stock, 22,033,758 shares	(209)	(209)
Additional paid-in capital and other shareholders' equity	13,766	9,579
Accumulated deficit	(1,866)	(199)
Total liabilities and shareholders' equity	<u>\$30,185</u>	<u>\$19,217</u>

The accompanying notes are an integral part of these financial statements.

GLOBAL CROSSING LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except share and per share information)

	Years Ended December 31,		
	2000	1999	1998
REVENUES	\$ 3,789	\$ 1,491	\$ 424
OPERATING EXPENSES:			
Cost of access and maintenance	1,862	396	13
Other operating expenses	1,942	648	150
Depreciation and amortization	1,381	451	141
Termination of advisory services agreement	—	—	140
	<u>5,185</u>	<u>1,495</u>	<u>444</u>
OPERATING LOSS	(1,396)	(4)	(20)
OTHER INCOME (EXPENSE):			
Equity in (loss) income of affiliates	(67)	16	(3)
Minority interest	15	(1)	—
Interest income	128	61	30
Interest expense	(390)	(137)	(42)
Gain from sale of subsidiary's common stock and concurrent transactions	303	—	—
Other (expense) income, net	(46)	180	—
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE PROVISION FOR INCOME TAXES	(1,453)	115	(35)
Benefit (Provision) for income taxes	145	(108)	(33)
(LOSS) INCOME FROM CONTINUING OPERATIONS	(1,308)	7	(68)
Loss from discontinued operations, net of income tax of \$54 and \$19, respectively	(308)	(59)	—
LOSS BEFORE EXTRAORDINARY ITEM AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	(1,616)	(52)	(68)
Extraordinary loss on retirement of debt	(42)	(45)	(20)
Cumulative effect of change in accounting principle, net of income tax benefit of \$5 and \$1, respectively	(9)	(14)	—
NET LOSS	(1,667)	(111)	(88)
Preferred stock dividends	(221)	(67)	(13)
Charge for conversion and redemption of preferred stock	(92)	—	(34)
LOSS APPLICABLE TO COMMON SHAREHOLDERS	<u>\$ (1,980)</u>	<u>\$ (178)</u>	<u>\$ (135)</u>
LOSS PER COMMON SHARE, basic and diluted:			
Loss from continuing operations applicable to common shareholders	<u>\$ (1.92)</u>	<u>\$ (0.12)</u>	<u>\$ (0.32)</u>
Loss from discontinued operations, net	<u>\$ (0.36)</u>	<u>\$ (0.12)</u>	<u>\$ —</u>
Extraordinary loss on retirement of debt	<u>\$ (0.06)</u>	<u>\$ (0.08)</u>	<u>\$ (0.06)</u>
Cumulative effect of changes in accounting principles, net	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>	<u>\$ —</u>
Loss applicable to common shareholders	<u>\$ (2.35)</u>	<u>\$ (0.35)</u>	<u>\$ (0.38)</u>
Shares used in computing basic and diluted loss per share	<u>844,153,231</u>	<u>502,400,851</u>	<u>358,735,340</u>

The accompanying notes are an integral part of these financial statements.

GLOBAL CROSSING LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in millions, except share information)

	Common Stock		Treasury Stock		Other Shareholders' Equity		Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Other		
Balance, December 31, 1997	325,773,934	\$ 3	—	\$ —	\$ 71	\$ —	\$ —	\$ 74
Issuance of common stock for cash	1,575,000	—	—	—	3	—	—	3
Cash reimbursement to certain shareholders	—	—	—	—	(7)	—	—	(7)
Unearned compensation	—	—	—	—	94	(94)	—	—
Amortization of compensation expense	—	—	—	—	—	37	—	37
PCG Warrants	24,406,340	—	—	—	275	—	—	275
Issuance of common stock in exchange for termination of advisory services agreement	14,210,526	—	—	—	135	—	—	135
Preferred stock dividends	—	—	—	—	(13)	—	—	(13)
Premium on redemption of preferred stock	—	—	—	—	(34)	—	—	(34)
Common stock transactions with certain shareholders	21,733,758	—	22,033,758	(209)	209	—	—	—
Issuance of common stock in connection with initial public offering, net of \$30,916 issuance costs	44,420,000	1	—	—	391	—	—	392
Issuance of common stock from exercise of stock options	656,688	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	(88)	(88)
Balance, December 31, 1998	432,776,246	4	22,033,758	(209)	1,124	(57)	(88)	774
Issuance of common stock from exercise of stock options	10,058,073	—	—	—	111	—	—	111
Income tax benefit from exercise of stock options	—	—	—	—	10	—	—	10
Unearned compensation	—	—	—	—	55	(55)	—	—
Amortization of compensation expense	—	—	—	—	—	52	—	52
Issuance of common stock in exchange for non-compete rights and licenses	2,239,632	—	—	—	20	—	—	20
Cancellation of shares issued in connection with terminated merger with US West	(2,231,076)	—	—	—	(103)	—	—	(103)
Preferred stock dividends	—	—	—	—	(67)	—	—	(67)
Shares issued in connection with Frontier acquisition	355,263,135	4	—	—	8,504	—	—	8,508
Shares issued for retirement of debt	1,031,132	—	—	—	5	—	—	5
Foreign currency translation adjustment	—	—	—	—	—	(21)	—	(21)
Unrealized gain on securities, net	—	—	—	—	—	1	—	1
Net loss	—	—	—	—	—	—	(111)	(111)

GLOBAL CROSSING LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY—(Continued)
(in millions, except share information)

	Common Stock		Treasury Stock		Other Shareholders' Equity		Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Other		
Balance, December 31, 1999	799,137,142	\$ 8	22,033,758	\$(209)	\$ 9,659	\$ (80)	\$ (199)	\$ 9,179
Issuance of common stock from exercise of stock options	14,936,578	—	—	—	102	—	—	102
Income tax benefit from exercise of stock options	—	—	—	—	4	—	—	4
Issuance of common stock to convert preferred stock	12,363,489	—	—	—	445	—	—	445
Issuance of common stock for cash	21,673,706	—	—	—	688	—	—	688
Preferred stock dividends	—	—	—	—	(221)	—	—	(221)
Shares issued in connection with IXnet/IPC acquisition	58,228,358	1	—	—	3,189	—	—	3,190
Unearned compensation	—	—	—	—	23	(23)	—	—
Amortization of compensation expense	—	—	—	—	—	44	—	44
Unrealized gain on securities, net	—	—	—	—	—	76	—	76
Foreign currency translation adjustment	—	—	—	—	—	(138)	—	(138)
Other	—	—	—	—	(2)	—	—	(2)
Net loss	—	—	—	—	—	—	(1,667)	(1,667)
Balance at December 31, 2000	<u>906,339,273</u>	<u>\$ 9</u>	<u>22,033,758</u>	<u>\$(209)</u>	<u>\$13,887</u>	<u>\$(121)</u>	<u>\$(1,866)</u>	<u>\$11,700</u>

The accompanying notes are an integral part of these financial statements.

GLOBAL CROSSING LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Years Ended December 31,		
	2000	1999	1998
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Net Loss	\$(1,667)	\$ (111)	\$ (88)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Loss from discontinued operations	308	59	—
Cumulative effect of change in accounting principle	9	14	—
Depreciation and amortization	1,381	451	141
Extraordinary loss on retirement of debt	42	45	20
Non-cash portion of US West termination agreement	—	(103)	—
Termination of advisory services agreement	—	—	135
Gain from sale of subsidiary's common stock and concurrent transactions	(303)	—	—
Stock related expenses	48	51	39
Equity in loss (income) of affiliates	67	(16)	3
Provision for doubtful accounts	72	36	4
Deferred income taxes	38	32	10
Capacity available for sale excluding cash expenditures for investing activities	—	—	123
Minority interest (income) expense	(15)	1	—
Other	26	6	—
Changes in operating assets and liabilities	905	267	(38)
Net cash provided by operating activities	911	732	349
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES:			
Purchases of property and equipment	(4,289)	(1,962)	(554)
Acquisitions of assets, net of cash acquired	—	(2,457)	—
Investments in and advances to/from affiliates, net	(110)	(264)	(17)
Purchases of marketable securities, net of sales	(201)	(29)	—
Proceeds from sale of unconsolidated affiliates	164	379	—
Change in restricted cash and cash equivalents	9	290	(420)
Net cash used in investing activities	(4,427)	(4,043)	(991)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES:			
Proceeds from issuance of common stock, net	785	111	392
Proceeds from issuance of preferred stock, net	1,113	1,599	483
Proceeds from short-term borrowings	1,000	—	—
Proceeds from long-term debt	2,093	5,544	1,087
Repayment of long-term debt	(1,578)	(3,351)	(337)
Redemption of preferred stock	—	—	(134)
Preferred dividends	(193)	(52)	—
Minority interest investment in subsidiary	548	350	—
Finance and organizational costs incurred	(48)	(141)	(38)
Other	(34)	—	(6)
Net cash provided by financing activities	3,686	4,060	1,447
Cash (used in) provided by discontinued operations	(323)	74	—
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(153)	823	805
CASH AND CASH EQUIVALENTS, beginning of year	1,630	807	2
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,477</u>	<u>\$ 1,630</u>	<u>\$ 807</u>

The accompanying notes are an integral part of these financial statements.

GLOBAL CROSSING LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)
(in millions)

	Years Ended December 31,		
	2000	1999	1998
SUPPLEMENTAL INFORMATION ON NON-CASH FINANCING ACTIVITIES:			
Common stock issued to holders of preferred stock	\$ 445	\$ —	\$ —
Common stock issued upon conversion of debt	\$ —	\$ 5	\$ —
SUPPLEMENTAL INFORMATION ON NON-CASH INVESTING ACTIVITIES:			
Costs incurred for construction in progress and capacity available for sale	\$ (4,833)	\$ (2,089)	\$ (751)
Increase in accrued construction costs	374	119	77
Amortization of deferred finance costs	7	8	8
PCG Warrants	—	—	112
Effect of PCL Consolidation	163	—	—
Cash paid for property and equipment	\$ (4,289)	\$ (1,962)	\$ (554)
Non-cash purchases of property and equipment	\$ —	\$ 38	\$ —
Transfer of capacity available for sale to property and equipment	\$ —	\$ 575	\$ —
Common stock issued for non-compete rights	\$ —	\$ 20	\$ —
Current and deferred income tax related to the pending disposition of businesses	\$ 1,850	\$ —	\$ —
Detail of acquisitions:			
Assets acquired	3,694	\$ 11,121	\$ —
Liabilities assumed	(796)	(2,613)	—
Common stock issued	\$ 2,898	\$ 8,508	\$ —
Net cash paid for acquisitions	—	\$ 2,457	\$ —
Cash acquired in acquisitions	—	124	—
Cash paid for acquisition, including transaction fees	\$ —	\$ 2,581	\$ —
Investments in affiliates:			
Preferred stock issued for investment in joint venture	\$ 400	\$ —	\$ —
Effect of consolidation of PCL	\$ (263)	\$ —	\$ 163
Commitment to acquire capacity from joint venture	\$ 200	\$ —	\$ —
Note receivable upon sale of interest in joint venture	\$ (164)	\$ —	\$ —
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Changes in operating assets and liabilities:			
Accounts receivable	\$ 4	\$ (298)	\$ (119)
Other current assets	(268)	(33)	(47)
Other long-term assets	24	(78)	—
Deferred revenue	1,396	332	64
Current liabilities other than debt	147	308	46
Deferred credits and other	(398)	36	18
	\$ 905	\$ 267	\$ (38)
Cash paid for interest and income taxes:			
Interest paid and capitalized	\$ 543	\$ 218	\$ 39
Interest paid (net of capitalized interest)	\$ 389	\$ 141	\$ 34
Cash paid for income taxes	\$ 49	\$ 15	\$ 8

The accompanying notes are an integral part of these financial statements.

GLOBAL CROSSING LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in millions)

	<u>Years Ended December 31,</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Net loss	\$ (1,667)	\$ (111)	\$ (88)
Foreign currency translation adjustment	(138)	(21)	—
Unrealized gain on securities, net of provision for income taxes of \$49 in 2000 and \$0.7 in 1999	76	1	—
Comprehensive loss	<u>\$ (1,729)</u>	<u>\$ (131)</u>	<u>\$ (88)</u>

The accompanying notes are an integral part of these financial statements.

GLOBAL CROSSING LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BACKGROUND AND ORGANIZATION

Global Crossing Ltd., a Bermuda Company ("GCL" and, together with its consolidated subsidiaries, the "Company") is building and offering services over the world's first integrated global fiber optic network, consisting of more than 100,000 announced route miles and serving four continents, 27 countries and more than 200 major cities. The Company serves many of the world's largest corporations, providing a full range of managed data and voice services. The Company operates throughout the Americas, Europe, and Asia/Pacific regions.

Global Crossing's strategy is to be the premier provider of managed broadband services to global enterprises. The Company has adopted this strategy to take advantage of its extensive Internet Protocol ("IP")-based fiber-optic network. The Global Crossing Network offers its customers an exceptional combination of global reach and bandwidth. Through its Global Marine Systems subsidiary, the Company also provides installation and maintenance services for subsea telecommunications systems.

Global Crossing Ltd. serves as a holding company for its subsidiaries' operations, including Global Marine Systems (acquired July 2, 1999), Frontier Corporation (acquired September 28, 1999), Racal Telecom (acquired November 24, 1999), and IXnet, Inc. and IPC Communications, Inc. (acquired June 14, 2000).

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The Company's significant accounting policies are summarized as follows:

a) Principles of Consolidation

The consolidated financial statements include the accounts of GCL and its wholly-owned subsidiaries. All significant intercompany transactions have been eliminated.

b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual amounts and results could differ from those estimates.

The Company's operations and financial performance may be affected by numerous factors, including changes in customer requirements, new laws and governmental regulations and policies, technological advances, entry of new competitors and changes in the willingness of financial institutions and other lenders to finance acquisitions and operations. The Company cannot predict which, if any, of these or other factors might have a significant impact on the telecommunications industry in the future, nor can it predict what impact, if any, the occurrence of these or other events might have on the Company's operations.

c) Revenue Recognition

Services

Revenue derived from telecommunication and maintenance services, including sales of capacity under operating type leases, are recognized as services are provided. Payments received from customers before the relevant criteria for revenue recognition are satisfied are included in deferred revenue in the accompanying consolidated balance sheets. See note 2(p) for changes in revenue accounting policies adopted by the Company.

GLOBAL CROSSING LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Operating Leases

In addition, the Company offers customers flexible bandwidth products to multiple destinations and many of the contracts for subsea circuits entered into are part of a service offering. Consequently, the Company defers revenue related to those circuits and amortizes the revenue over the appropriate term of the contract. Accordingly, the Company treats cash received prior to the completion of the earnings process as deferred revenue.

Sales-Type Leases

Revenue from Capacity Purchase Agreements ("CPAs") that meet the criteria of sales-type lease accounting are recognized in the period that the rights and obligations of ownership transfer to the purchaser, which occurs when (i) the purchaser obtains the right to use the capacity, which can only be suspended if the purchaser fails to pay the full purchase price or fulfill its contractual obligations, (ii) the purchaser is obligated to pay Operations, Administration and Maintenance ("OA&M") costs and (iii) the segment of a system related to the capacity purchased is available for service. Certain customers who have entered into CPAs for capacity have paid deposits toward the purchase price which have been included as deferred revenue in the accompanying consolidated balance sheets.

Prior to July 1, 1999, substantially all CPAs were treated as sales-type leases as described in Statement of Financial Accounting Standards No. 13, "Accounting for Leases" ("SFAS 13"). On July 1, 1999, the Company adopted Financial Accounting Standards Board Interpretation No. 43, "Real Estate Sales, an interpretation of FASB Statement No. 66" ("FIN 43"), which requires prospective transactions to meet the criteria set forth in Statement of Financial Accounting Standards No. 66, "Accounting for Sales of Real Estate" ("SFAS 66") to qualify for sales-type lease accounting. Since sales of terrestrial capacity did not meet the new criteria, the terrestrial portion of CPAs executed subsequent to June 30, 1999 were recognized over the terms of the contracts, as services.

For the years ended December 31, 2000, 1999 and 1998, \$350 million, \$728 million and \$419 million in revenue, respectively, was recognized using sales-type lease accounting.

Percentage-of-Completion

Revenue and estimated profits under long-term contracts for undersea telecommunication installation by Global Marine Systems are recognized under the percentage-of-completion method of accounting, whereby sales and profits are recognized as work is performed based on the relationship between actual costs incurred and total estimated costs to complete. Provisions for anticipated losses are made in the period in which they first become determinable.

Completed Contract

Revenue from product sales and related installation by IPC Communications, Inc. is recognized upon completion of the installation except for revenue from sales to distributors, which is recognized upon shipment. Under contract provisions, customers may be progress-billed prior to the completion of the installations. The revenue related to these advance payments is deferred until the system installations are completed. Contracts for maintenance are billed in advance, and are recorded as deferred revenue and recognized ratably over the contractual periods.

GLOBAL CROSSING LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

d) Operating Expenses

Operating Leases

Costs of the network relating to capacity contracts accounted for as operating leases are treated as fixed assets and, accordingly, are depreciated over the estimated useful life of the capacity.

Sales-Type Leases—Non-Cash Cost of Capacity Sold

Prior to October 1, 1999, the effective date of the Frontier merger, cost of sales for subsea circuits (non-cash cost of capacity sold) were calculated based on the ratio of capacity revenue recognized in the period to total expected capacity revenue over the life of the network system, multiplied by the total costs incurred to construct the network system. This calculation of cost of sales matches costs with the value of each sale relative to total expected revenue. Until the entire system was completed, for purposes of calculating cost of sales, the total system costs incurred included an estimate of remaining costs to be incurred to complete the entire system plus the cost of system upgrades that management had the intent and ability to complete, provided the need for such upgrades was supported by a third party consultant's revenue forecast.

Beginning October 1, 1999, the Company initiated service contract accounting and therefore began depreciating all of its systems; however, certain contracts still qualify for sales-type lease accounting. For these transactions, the Company's policy provides for recording non-cash cost of capacity sold through depreciation and amortization in the period in which the related revenue was recognized. The amount charged to non-cash cost of capacity sold relating to subsea capacity is calculated by determining the estimated net book value of the specific subsea capacity at the time of the sale. The estimated book value includes expected costs of capacity the Company has the intent and ability to add through upgrades of that system, provided the need for such upgrades is supported by a third-party consultant's revenue forecast.

Commissions and Advisory Services Fees

The Company's policy is to record sales commissions and advisory fee expenses and related payables upon the recognition of revenue so as to appropriately match these costs with the related revenue. Under the Advisory Services Agreement ("ASA"), which was terminated December 31, 1998, the Company paid PCG Telecom Services LLC ("PCG Telecom") and its affiliates 2% of revenue for advisory services performed. Under the Sales Agency Agreement, the Company paid Tyco Submarine Systems Ltd. ("TSSL") a commission based on a percentage of revenue from the sale of capacity on certain of the Company's systems. The commission agreement with TSSL terminated effective February 22, 2000.

e) Cash and Cash Equivalents, Restricted Cash and Cash Equivalents (Current and Long Term)

The Company considers cash in banks and short-term highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents and restricted cash and cash equivalents are stated at cost, which approximates fair value. Restricted cash balances at December 31, 2000 and 1999 were \$146 million and \$155 million, respectively. Included in these balances are restricted funds for the construction of our PC-1 system of \$146 million and \$138 million at December 31, 2000 and 1999, respectively.

f) Property and Equipment, net

Property and equipment, which includes amounts under capitalized leases, are stated at cost, net of depreciation and amortization. Major enhancements are capitalized, while expenditures for repairs and maintenance are expensed when incurred. Costs recorded prior to a network segment's completion are reflected

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

as construction in progress, which is reclassified to property and equipment at the date each segment of the applicable system becomes operational.

Construction in progress includes direct expenditures for construction of network systems and is stated at cost. Capitalized costs include costs incurred under the construction contract; advisory, consulting and legal fees; interest; internal labor and operating costs; and amortized finance costs incurred during the construction phase. Once it is probable that a cable system will be constructed, costs directly identifiable with the cable system under development are capitalized. Costs relating to the evaluation of new projects incurred prior to the date the development of the network system becomes probable are expensed as incurred.

Interest incurred and directly identifiable with a cable system, which includes the amortization of deferred finance fees and issuance discount, is capitalized to construction in progress.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, with the exception of leasehold improvements and assets acquired through capital leases, which are depreciated over the lesser of the estimated useful lives or the term of the lease. Estimated useful lives are as follows:

Buildings	10-40 years
Leasehold improvements	2-25 years
Furniture, fixtures and equipment	2-30 years
Transmission equipment	7-25 years

Beginning October 1, 1999, the Company commenced service contract accounting. Carrying amounts related to in-service subsea systems were reclassified from capacity available for sale to depreciable assets, and are being depreciated over their remaining economic useful lives.

When property or equipment is retired or otherwise disposed of, the cost and accumulated depreciation are relieved from the accounts, and resulting gains or losses are reflected in net income.

g) Goodwill and Intangibles

Costs in excess of net assets of acquired businesses are amortized on the straight-line method over 3 to 25 years. Amortization expense for the years ended December 31, 2000 and 1999 was approximately \$483 million and \$75 million, respectively. There was no amortization expense in 1998.

In July 2000, the Company restated its financial statements to revise the estimated useful life of \$1,500 million in goodwill related to GlobalCenter, acquired in connection with the Frontier merger on September 28, 1999, from 10 years to 5 years. As a result, loss applicable to common shareholders' and loss per share increased by \$41 million and \$0.08 per share, respectively, for the year ended December 31, 1999. The restatement had no impact on cash flow or compliance with our debt agreements.

h) Impairment of Long-Lived Assets

The Company periodically evaluates whether facts and circumstances have occurred that indicate the carrying amount of a long-lived asset may be impaired. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value or discounted cash flow is required.

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

i) Investments

Investments in which the Company does not have significant influence and in which the Company holds an ownership interest of less than 20% are recorded using the cost method of accounting. These investments covered under the scope of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" are classified as "available for sale" and are carried at estimated fair value with any unrealized gain or loss, net of tax, included in other shareholders' equity. The Company reviews the fair value of its investment portfolio on a regular basis to determine if the fair value of any individual investment has declined below its cost and if such decline is other-than-temporary. The Company considers a decline to be other-than-temporary if the fair value of the investment has remained below its cost basis for more than six months and will then write-down the investment to its fair value. The write-down will be included in the statement of operations as a realized loss in the period in which the decline was deemed to be other-than-temporary. For the years ended December 31, 2000 and 1999, realized gains and losses were not material on an individual or aggregate basis.

The equity method of accounting is applied for investments in affiliates, if the Company owns an aggregate of 20% to 50% of the affiliate and if the Company exercises significant influence over the affiliate. The equity method is also applied for entities in which the Company's ownership is in excess of 50% but over which the Company is unable to exercise effective control, due to minority shareholders participating in significant decisions in the ordinary course of business.

j) Deferred Finance Costs

Costs incurred to obtain financing through the issuance of senior notes and long-term debt have been reflected as an asset included in other assets in the accompanying consolidated balance sheets. The financing costs relating to the debt are amortized over the lesser of the term of the related debt agreements or the expected payment date of the debt obligation using the effective interest rate method. In 2000, 1999, and 1998, certain long-term debt was extinguished, at which time the remaining balance of unamortized discount and offering costs was written off and included in extraordinary loss on retirement of debt.

During the construction period, the amortized portion of deferred financing costs relating to senior notes and long-term debt are included in construction in progress as a component of interest capitalized or recorded as interest expense.

k) Financial Instruments

The Company uses derivative financial instruments to reduce its exposure to adverse fluctuations in interest rates and foreign currency exchange rates. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. The Company does not enter into financial instruments for trading or speculative purposes. Accordingly, financial instruments are presented on the accompanying consolidated balance sheet at their carrying values, which approximates their fair values. Fair values are based on market quotes, current interest rates or management estimates, as appropriate.

The Company has entered into forward currency contracts, hedging the exchange risk on committed foreign currency transactions. During 2000, 1999, and 1998, the gains and losses on these contracts were recognized at the time the underlying transaction was completed.

As discussed in Note 10, the Company has entered into interest rate swap transactions to hedge its variable and fixed interest-rate exposure on debt. Hedge accounting was applied in respect of these instruments; accordingly, the net cash amounts to be paid or received on the agreement are accrued and recognized as an adjustment to interest expense on the related debt.

GLOBAL CROSSING LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

l) Income Taxes

The Company recognizes current and deferred income tax assets and liabilities based upon all events that have been recognized in the consolidated financial statements as measured by the enacted tax laws. The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes".

m) Effect of Foreign Currencies

For those subsidiaries using the U.S. dollar as their functional currency, translation adjustments are recorded in the accompanying consolidated statements of operations. For those subsidiaries not using the U.S. dollar as their functional currency, assets and liabilities are translated at exchange rates in effect at the balance sheet date and income and expense accounts are translated at average exchange rates during the period. Resulting translation adjustments are recorded directly to a separate component of shareholders' equity and are reflected in the accompanying statements of comprehensive loss.

The Company's foreign transaction losses for the years ended December 31, 2000 and 1999 were \$44 million and \$26 million, respectively. The effect of foreign currency transactions in all periods prior to the year ended December 31, 1999 were immaterial.

n) Stock Option Plan

The Company accounts for stock option grants in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and, accordingly, recognizes compensation expense for stock option grants to the extent that the estimated fair value of the stock exceeds the exercise price of the option at the measurement date. The compensation expense is charged against operations ratably over the vesting period of the options.

o) Concentration of Credit Risk

The Company has some concentration of credit risk among its customer base. The Company performs ongoing credit evaluations of its larger customers' financial condition. As of and for the years ended December 31, 2000 and 1999, five customers represented 13% and 14% of the Company's accounts receivable and 14% and 29% of the Company's revenue, respectively.

p) Changes in Accounting Policies

The Company adopted American Institute of Certified Public Accountants Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities" ("SOP 98-5") in the first quarter of 1999. Accordingly, a one-time charge of \$14 million (net of income tax benefit), representing start-up costs incurred and capitalized during previous periods, was charged against net income.

Effective January 1, 2000, the Company adopted Securities and Exchange Commission ("SEC") Staff Accounting Bulletin 101, "Revenue Recognition in Financial Statements" ("SAB 101"), which requires amortization of certain start-up and activation revenues and deferral of associated costs over the longer of the contract period or expected customer relationship. Previously, such revenues and expenses were recognized upon service activation. The net impact of SAB 101 reduced revenue by approximately \$2 million and increased amortization expense by approximately \$11 million. The cumulative impact on the results of prior years was reflected as a \$9 million (net of income tax benefit) cumulative effect of a change in accounting principle in accordance with the adoption provisions of this bulletin.

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

q) Gain on Sale of Subsidiary Stock

The Company elected SEC Staff Accounting Bulletin No. 51, "Accounting for Sales of Stock by a Subsidiary" ("SAB 51") in the fourth quarter of 2000, which requires the difference between the carrying amount of the parent's investment in the subsidiary and the underlying net book value of the subsidiary after the issuance of stock by the subsidiary be reflected as either a gain or loss in the consolidated financial statements or reflected as a capital transaction. During 2000, one of the Company's subsidiaries completed an initial public offering that resulted in a gain as further discussed in note 7. As a result, the Company has elected to record the gain and any future gains or losses in the future resulting from the sale of a subsidiary's stock in its statement of operations.

r) Non-Monetary Transactions

The Company may exchange capacity with other capacity or service providers. These transactions are accounted for in accordance with Accounting Principles Board Opinion No. 29, "Accounting for Nonmonetary Transactions", where an exchange for similar capacity is recorded at a historical carryover basis and dissimilar capacity is accounted for at fair market value with recognition of any gain or loss.

s) Recent Accounting Standards

Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), as amended by Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of FASB Statement No. 133", and Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", is effective for the Company as of January 1, 2001. SFAS 133 requires that an entity recognize all derivatives as either assets or liabilities measured at fair value. The accounting for changes in the fair value of a derivative depends on the use of the derivative. The initial adoption of these new accounting standards will not have a material effect on the Company's results of operations or its financial position.

t) Reclassifications

Certain prior year amounts have been reclassified in the consolidated financial statements to conform to current year presentation.

3. MERGERS AND ACQUISITIONS

The following mergers and acquisitions occurred during 2000 and 1999 and have been accounted for in the accompanying consolidated financial statements under the purchase method of accounting for business combinations. The purchase price for the 1999 business combinations were allocated based on the estimated fair value of acquired assets and liabilities at the date of merger or acquisition. The initial purchase price for the IXnet/IPC Communications acquisition is based on a preliminary allocation. The Company will make final purchase price allocations based upon final values for certain assets and liabilities. As a result, the final purchase price allocation may differ from the estimate presented.

IXnet, Inc./ IPC Communications, Inc.

On June 14, 2000, the Company completed its merger with IXnet, Inc. ("IXnet"), and its parent company, IPC Communications, Inc. ("IPC"), resulting in IXnet and IPC becoming wholly owned subsidiaries of the Company. IXnet shareholders received 1.184 shares of the Company's common stock for each outstanding share of common stock of IXnet and IPC shareholders received 5.417 shares of the Company's common stock

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

for each outstanding share of common stock of IPC, for a total of 58.2 million shares of Global Crossing common stock. The purchase price of \$3.2 billion reflects a Global Crossing stock price of \$49.77 per share, the average price before and after the definitive merger agreement was entered into on February 22, 2000, and includes long-term debt assumed and the fair market value of stock options issued by Global Crossing. The purchase price and net liabilities assumed of \$3,381 million has been allocated on a preliminary basis to goodwill and is being amortized on the straight-line method over 10 years.

Global Marine Systems

On July 2, 1999, the Company acquired the Global Marine systems division of Cable & Wireless Plc for approximately \$908 million, consisting of a combination of cash and assumed indebtedness. This resulted in an excess of purchase price over net assets acquired of \$627 million, which has been allocated to goodwill and other intangible assets and is being amortized on the straight-line method over 3-25 years.

Frontier Corporation

On September 28, 1999, the Company completed its merger with Frontier Corporation, ("Frontier"), resulting in Frontier becoming a wholly owned subsidiary of the Company. Frontier shareholders received 2.05 shares of the Company's common stock for each outstanding share of common stock of Frontier, for a total of 355 million shares of Global Crossing common stock, including outstanding and unexercised stock options. The purchase price of \$10.3 billion reflects a Global Crossing stock price of \$22¹/₁₆ per share, the average closing price of Global Crossing common stock from September 1, 1999 through September 3, 1999, and includes long-term debt and Frontier stock options assumed by Global Crossing. The excess of purchase price over net assets acquired, as adjusted for the sale of the ILEC and GlobalCenter businesses, of \$6,549 million was allocated to goodwill and other intangible assets. Goodwill and intangible assets are being amortized on the straight-line basis over 5-25 years.

Racal Telecom

On November 24, 1999, the Company acquired Racal Telecom for approximately \$1.6 billion in cash. The Company entered into a £675 million (approximately \$1,091 million as of December 31, 1999) credit facility to finance the acquisition. The excess of purchase price over net assets acquired of \$1,477 million was allocated to goodwill and other intangible assets and is being amortized on the straight-line method over 6-25 years.

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Pro Forma Condensed Financial Information

The following unaudited pro forma condensed consolidated financial information of Global Crossing, Global Marine Systems, Frontier (as adjusted for the sale of the ILEC business and GlobalCenter), Racal Telecom, the Asia Global Crossing joint venture and subsequent initial public offering ("IPO") (see note 7), and IXnet and IPC Communications, demonstrates the results of operations had the previously mentioned acquisitions as well as related transactions been completed at the beginning of the periods presented.

	December 31,	
	2000	1999
	(unaudited) (in millions, except share and per share data)	
Revenues	\$ 3,958	\$ 3,761
Loss from continuing operations	\$ (1,648)	\$ (1,059)
Net loss	\$ (2,006)	\$ (1,078)
Loss from continuing operations applicable to common shareholders	\$ (1,981)	\$ (1,338)
Loss applicable to common shareholders	\$ (2,339)	\$ (1,357)
Loss per common share:		
Loss from continuing operations applicable to common shareholders basic and diluted	\$ (2.28)	\$ (1.58)
Loss applicable to common shareholders basic and diluted	\$ (2.69)	\$ (1.60)
Shares used in computing loss per share basic and diluted	869,130,969	848,607,626

4. DISCONTINUED OPERATIONS

On September 28, 2000, the Company's board of directors approved a definitive merger agreement under which Exodus Communications ("Exodus") would acquire the Company's complex web hosting services business, GlobalCenter, Inc., originally acquired as part of the Frontier merger on September 28, 1999, for 108.2 million Exodus common shares. In January 2001, the transaction was completed and no loss is expected upon the sale. The Company's beneficial ownership is less than 20% and the Company has no significant influence over Exodus. While it is not our current intention to do so and contractual obligations to Exodus restrict our ability to do so, we may in the future dispose of some or all of our investment in Exodus in privately negotiated transactions, through a public offering upon exercise of our contractual registration rights, or otherwise, depending on market conditions and other factors. The Company's financial statements reflect GlobalCenter as discontinued operations for all periods presented since the date of the Frontier merger.

On July 11, 2000, the Company entered into an agreement to sell the Incumbent Local Exchange Carrier ("ILEC") business segment originally acquired as part of the Frontier transaction, to Citizens Communications Company ("Citizens") for \$3,650 million in cash, subject to certain adjustments concerning closing date liabilities, working capital balances and performance measurements as defined in the purchase and sale agreement. In connection with this transaction, the Company and Citizens entered into a strategic agreement for the Company to provide long distance services to the ILEC business. The Company's financial statements reflect the financial position and results of operations of the ILEC business as discontinued operations for all periods presented since the date of the Frontier acquisition. The sale is anticipated to be completed in 2001. The Company anticipates income from discontinued operations; therefore, no losses have been accrued. The

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

estimated gain (net of tax) from the disposal of discontinued operations has been reflected as a revaluation in goodwill initially recorded upon the merger with Frontier.

	December 31, 2000	December 31, 1999
	(in millions)	
Balance Sheet Data:		
Assets	\$4,609	\$4,417
Liabilities	(640)	(449)
Net Assets of discontinued operations	<u>\$3,969</u>	<u>\$3,968</u>
	For the Year Ended December 31, 2000	For the Year Ended December 31, 1999
	(in millions)	
Income Statement Data:		
Revenue	\$ 935	\$ 210
Expenses	(1,185)	(253)
Operating income	(250)	(43)
Interest income, net	(2)	4
Other expenses	(2)	(1)
Provision for income taxes	(54)	(19)
Loss from discontinued operations	<u>\$ (308)</u>	<u>\$ (59)</u>

Employee benefit plans of discontinued operations

At December 31, 2000, the Company and Citizens Communications were in the process of negotiating an amendment to the Stock Purchase Agreement for the sale of the Company's ILEC business. The amendment provides for the transfer of certain assets and liabilities related to the Company's qualified pension and other post retirement benefits from the Company to Citizens. Assets and liabilities for virtually all retirees and all transferring active employees will be transferred upon the sale. The Company has recorded on its balance sheet at December 31, 2000 prepaid pension assets and other post employment benefit liabilities related to these plans. The Company will retain only those liabilities and assets associated with certain active, non-transferring employees. Had negotiations and the sale been completed as of December 31, 2000, the Company would have retained prepaid pension assets of approximately \$13.7 million and other post employment benefit liabilities of approximately \$1.0 million.

GLOBAL CROSSING LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31,	
	2000	1999
	(in millions)	
Land	\$ 5	\$ 1
Buildings	37	22
Leasehold improvements	235	72
Furniture, fixtures and equipment	1,254	699
Transmission equipment	6,858	1,851
	8,389	2,645
Accumulated depreciation	(723)	(81)
	7,666	2,564
Construction in progress	2,364	2,377
Total property and equipment, net	<u>\$10,030</u>	<u>\$4,941</u>

Depreciation expense for the years ended December 31, 2000, 1999 and 1998 was approximately \$898 million, \$376 million and \$141 million, respectively. Included in depreciation expense for the years ended December 31, 2000, 1999 and 1998 was approximately \$274 million, \$292 million and \$141 million, respectively, of non-cash cost of capacity sold.

6. INVESTMENT IN AND ADVANCES TO/FROM AFFILIATES

The Company's investment in affiliates consists of the following:

	December 31,	
	2000	1999
	(in millions)	
Investment in Hutchison Global Crossing	\$606	\$—
Investment in Pacific Crossing Ltd.	—	266
Investment in Global Access Ltd.	15	23
Other investments and advances to/from affiliates	(14)	29
	<u>\$607</u>	<u>\$318</u>

Hutchison Global Crossing

On January 12, 2000, the Company established Hutchison Global Crossing ("HGC") with Hutchison Whampoa Limited ("Hutchison") to pursue fixed-line telecommunications and Internet opportunities in Hong Kong. For its 50% share, Hutchison contributed to the joint venture its building-to-building fixed-line telecommunications network in Hong Kong and a number of Internet-related assets. In addition, Hutchison has agreed that any fixed-line telecommunications activities it pursues in China will be carried out by the joint venture. For its 50% share, the Company provided to Hutchison \$400 million in 6% Cumulative Convertible Preferred Stock, Series B (convertible into shares of Global Crossing common stock at a rate of \$45 per share) and committed to contribute to the joint venture international telecommunications capacity rights on the Company's network and global media distribution center capabilities, as well as \$50 million in cash. Concurrent with the IPO by Asia Global Crossing ("AGC") on October 12, 2000, the Company sold an aggregate of 19% of its economic interest in HGC to Microsoft Corporation ("Microsoft") and Softbank Corp. ("Softbank"), the joint venture partners in AGC. The Company, Microsoft and Softbank immediately contributed their entire interests in HGC to AGC.

GLOBAL CROSSING LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Pacific Crossing Ltd.

In April 1998, the Company entered into a joint venture to construct the Pacific Crossing ("PC-1") cable system which is owned and operated by Pacific Crossing Ltd. ("PCL"). The Company had an economic interest in PCL represented by a 50% direct voting interest and, through one of the joint venture partners, owned a further 7.75% economic non-voting interest. Upon the formation of AGC on November 24, 1999, the Company contributed its interest in PCL to AGC.

On March 24, 2000 and effective January 1, 2000, the Company through AGC increased its interest in PCL from 57.75% to 64.50% for approximately \$21 million by acquiring the remaining ownership of another partner. In connection with this transaction, the Shareholder Agreement was amended, which enabled the Company to exercise control over PCL and resulted in the consolidation of PCL's financial statements and appropriate deductions for minority interest.

Global Access Ltd.

In December 1998, the Company entered into a joint venture, Global Access Ltd. ("GAL"), to construct and operate GAL, a terrestrial cable system connecting Tokyo, Osaka and Nagoya with PC-1. The Company had a 49% interest in GAL. Concurrent with the IPO of AGC, the Company contributed its 49% economic interest in GAL to AGC.

PCL (prior to the consolidation in January 2000), HGC and GAL are accounted for under the equity method because the Company is not able to exercise effective control over their operations.

See note 7 for joint venture arrangements entered into by our subsidiary, AGC, following its IPO on October 12, 2000.

7. ASIA GLOBAL CROSSING

On November 24, 1999, the AGC joint venture was established by the Company, Microsoft and Softbank. AGC intends to be a leading pan-Asian telecommunications carrier providing Internet, data and voice services to wholesale and business customers. In exchange for a majority interest, the Company contributed to the joint venture its development rights in East Asia Crossing ("EAC") and its 58% interest in PC-1. Softbank and Microsoft each contributed \$175 million in cash. In addition, Softbank and Microsoft committed to make a total of at least \$200 million in capacity purchases on the Company's network over a three-year period. Softbank and Microsoft also agreed to use AGC's network in the region, subject to specified conditions.

On October 12, 2000, AGC completed its IPO of common stock in which it sold 68 million shares of its Class A common stock at a price of \$7.00 per share. The net proceeds, after deducting underwriting discounts and commissions and costs, were approximately \$452 million. On November 8, 2000, AGC sold an additional 500,000 shares of Class A common stock at \$7.00 per share in connection with the exercise of the underwriters' over-allotment option. The additional net proceeds were approximately \$3 million. The Company's economic ownership interest in AGC prior to the IPO was 93%. After the offerings and related transactions this interest was reduced to 56.9%. In accordance with SAB 51, the Company recognized a gain of \$303 million on the IPO and concurrent transactions.

GLOBAL CROSSING LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As discussed in note 6, concurrent with the IPO, the Company sold an aggregate of 19% of its total 50% economic interest in HGC to Microsoft and Softbank, with each receiving a 9.5% interest. Immediately after the sale, all three entities contributed their entire interests in HGC to AGC. Also concurrent with the IPO, the Company contributed its 49% interest in GAL to AGC.

AGC has entered into several joint ventures, including Digitel Crossing, Asia Global Crossing Taiwan, Dacom Crossing and Starhub Asia Global Crossing. These joint ventures will develop backhaul and terrestrial networks in the Philippines, Taiwan, Korea and Singapore, respectively. These systems will support our subsea systems around the globe.

8. OTHER CURRENT LIABILITIES

At December 31, 2000 and 1999, other current liabilities consisted of the following:

	December 31,	
	2000	1999
	(in millions)	
Accrued liabilities	\$ 804	\$264
Accrued interest and dividends	104	64
Accrued cost of access	226	149
Deferred revenue	282	125
Income taxes payable, net ⁽¹⁾	880	127
Current portion of long-term debt	117	2
Other	42	251
	<u>\$2,455</u>	<u>\$982</u>

9. DEBT

Short-term borrowings

At December 31, 2000 and 1999, outstanding short-term debt of GCL and its subsidiaries consisted of the following:

	December 31,	
	2000	1999
	(in millions)	
Bridge Loan due April 10, 2002 or upon closing or abandonment of the sale of the ILEC. Interest payable at LIBOR plus 1.00% (7.6% at December 31, 2000)	<u>\$1,000</u>	<u>—</u>

On October 13, 2000, the Company, through a direct subsidiary of Global Crossing North America, Inc. ("GCNA"), entered into a \$1,000 million unsecured credit facility ("Bridge Loan"). Proceeds from the Bridge Loan were used to repay approximately \$768 million of outstanding indebtedness incurred in connection with the Company's purchase of Racal Telecom in November 1999 and for general corporate purposes. The Bridge Loan is funded through a commercial paper conduit. Should the conduit discontinue to fund the Bridge Loan, committed bank purchasers will fund the Bridge Loan at an interest rate of LIBOR plus 2.25%. The Bridge Loan is guaranteed by GCNA.

(1) Primarily represents income taxes payable upon the disposition of the ILEC business segment.

GLOBAL CROSSING LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Long-term Debt

At December 31, 2000 and 1999, outstanding long-term debt of GCL and its subsidiaries consisted of the following:

	December 31,	
	2000	1999
	(in millions)	
9½% Senior Notes issued November 12, 1999 and due November 15, 2009, with interest payable on May 15 and November 15 ("1999 Senior Notes") . . .	\$1,100	\$1,100
9½% Senior Notes issued November 12, 1999 and due November 15, 2006, with interest payable on May 15 and November 15 ("1999 Senior Notes") . . .	900	900
9½% Senior Notes issued May 18, 1998 and due May 15, 2008, with interest payable on May 15 and November 15 ("1998 Senior Notes")	800	800
13.375% Senior Notes issued October 12, 2000 and due on October 15, 2010, with interest payable on April 15 and October 15 ("AGC Senior Notes") . . .	408	—
Senior Secured Credit Facility: Revolving Loans due July 2, 2004, with interest payable at LIBOR plus 2.25% (9% and 8.44% at December 31, 2000 and 1999, respectively)	1,168	649
Senior Secured Credit Facility: Term Loan B due June 30, 2006, with interest payable at LIBOR plus 2.75% (9.30% at December 31, 2000)	550	—
Racal Telecom Term Loan A due November 24, 2007, with interest payable at LIBOR plus 2.5% (8.44% at December 31, 1999)	—	646
Medium-Term Notes, 8.77%—9.3%, due 2001 to 2004	192	279
7¼% Senior Notes due May 14, 2004, with interest payable on May 15 and November 15	300	300
6% Dealer Remarketable Securities (DRS) due October 15, 2013, with interest payable on April 15 and October 15	200	200
PC-1 Credit Facility	801	—
Other	6	60
Total debt	6,425	4,934
Less: discount on long-term debt, net	(37)	(32)
Less: current portion of long-term debt	(117)	(2)
Long-term debt	<u>\$6,271</u>	<u>\$4,900</u>

Principal maturities of long-term debt are as follows (in millions):

Year Ending December 31,	
2001	\$ 117
2002	92
2003	107
2004	1,612
2005	411
Thereafter	4,086
Total	<u>\$6,425</u>

Senior Secured Credit Facility Revolving Loans/Term Loan B

On July 2, 1999, the Company, through Global Crossing Holdings Ltd. ("GCHL") and GCNA, entered into a \$3 billion senior secured corporate credit facility ("Corporate Credit Facility") with several lenders. In August 2000, the Company amended and restated the terms of the existing senior secured credit agreement, increasing

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

the total remaining amount of the Corporate Credit Facility from \$1 billion to \$2.25 billion. The Corporate Credit Facility currently consists of a \$1 billion revolving credit facility due July 2004, a \$700 million revolving term facility that converts to a term loan in August 2002 and matures in July 2004 and a \$550 million term loan which matures in June 2006. GCHL and GCNA can borrow under the Corporate Credit Facility. Borrowings under this facility are secured by a pledge of shares of certain restricted subsidiaries of the Company and are guaranteed by the Company and certain restricted subsidiaries. As of December 31, 2000, the revolving credit facility and revolving term facility had approximately \$532 million of unused capacity.

6% Dealer Remarketable Securities (DRS)

The 6% DRS were originally issued by Frontier and were outstanding at the date of acquisition. These notes may be put back to the Company in October 2003, depending on the interest rate environment at that time.

PC-1 Credit Facility

As a result of the consolidation of PCL in the first quarter of 2000, the Company has an \$850 million aggregate non-recourse senior secured loan facility (the "Pacific Crossing-1 Credit Facility") for the construction start-up and financing costs of PC-1. The Pacific Crossing-1 Credit Facility is comprised of \$840 million of a multiple draw-down term loan and a \$10 million working capital facility. The Pacific Crossing-1 Credit Facility is secured by a pledge of common stock in PCL and its subsidiaries and a security interest in certain of its accounts and its rights under certain contracts.

Under the Pacific Crossing-1 Credit Facility, the Company may select loan arrangements as either a Eurodollar loan or an Alternative Base Rate ("ABR") loan. The Eurodollar interest rate is LIBOR plus 2.25-2.50% and the ABR interest rate is the greater of (a) the Prime Rate and (b) the Federal Funds Effective Rate plus 0.5%, plus 1.25-1.50%. As of December 31, 2000, all outstanding loans were Eurodollar loans and the interest rates in effect ranged from approximately 8.8% to 9.1%. The Pacific Crossing-1 Credit Facility is repayable in ten semi-annual installments ("Mandatory Repayments"), commencing 135 days after PC-1 is ready for service.

Debt Covenants

Certain of the debt facilities mentioned above contain various financial and non financial restrictive covenants and limitations, including, among other things, the satisfaction of tests of "consolidated cash flow", as defined. The Company is in compliance with these covenants at December 31, 2000.

Retirement of Debt

As noted in short-term borrowings, the Bridge Loan was partially used to repay the indebtedness incurred in connection with the Company's purchase of Racal Telecom. The Company has written-off approximately \$24 million of unamortized deferred financing costs as a result of this extinguishment which is reflected as an extraordinary loss in the accompanying statement of operations. The Company has provided a full valuation allowance related to this loss due to the uncertainty of realizing any tax benefit.

As part of the merger with IPC, the Company assumed \$247 million of 10% Senior Discount Notes which were due in 2008. In August and September 2000, the Company repaid the debt and, as a result, recorded an extraordinary loss of \$18 million. The Company has provided a full valuation allowance related to this loss due to the uncertainty of realizing any tax benefit.

GLOBAL CROSSING LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

During 1999, the Company recognized an extraordinary loss resulting from the payoff of existing debt in connection with the issuance of the Corporate Credit Facility, due to a write-off of \$14 million of unamortized deferred financing costs.

On November 12, 1999, the proceeds from the issuance of the 1999 Senior Notes were used to pay down the fixed term portion of the Corporate Credit Facility, resulting in a write-off of \$31 million of unamortized deferred financing costs, which is reflected as an extraordinary loss.

During 1998, the Company recognized an extraordinary loss of \$20 million in connection with the repurchase of Global Telesystems Holdings' outstanding senior notes, comprising a premium of \$10 million and a write-off of \$10 million of unamortized deferred financing costs.

Interest Rate Swap Transactions

The Company periodically enters into interest rate swaps or hedge agreements to balance its floating rate and fixed rate obligations to insulate against interest rate risk and minimize interest expense. Interest expense and the related cash flows under the agreements are accounted for on an accrual basis.

The Company has entered into two interest rate swap transactions based on one month LIBOR to minimize its exposure to increases in interest rates on its borrowings. The swap transactions fix the floating interest rate at 4.985% on a notional amount of borrowings of \$500 million until January 31, 2004.

In December 1997, Frontier entered into an interest rate hedge agreement that effectively converts \$200 million of its 7¼% Senior Notes into a floating rate based LIBOR index rate plus 1.26%. The agreement expires in May 2004.

2001 Senior Notes

On January 29, 2001, the Company completed an offering of \$1 billion in aggregate principal amount of 8.70% Senior Notes due 2007. The net proceeds from the offering were used to refinance existing indebtedness consisting of term loans and revolving loans under its corporate credit facility.

Guarantee of Subsidiary Debt

GCHL currently has outstanding three classes of public indebtedness. These securities include (i) \$900 million of 9¼% Senior Notes Due 2006, (ii) \$800 million of 9½% Senior Notes Due 2008 and (iii) \$1.1 billion of 9½% Senior Notes due 2009. Each class of debt securities is fully and unconditionally guaranteed by the Company. In addition, GCL has no independent assets or operations; and subsidiaries of the Company other than GCHL are minor.

GLOBAL CROSSING LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

10. FINANCIAL INSTRUMENTS

The carrying amounts for cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, accrued construction costs, accounts payable and accrued liabilities, accrued interest, obligations under inland services agreements and capital leases and long term debt other than the Senior Notes (the 1998 Senior Notes, 1999 Senior Notes, 7¼% Senior Notes and AGC Senior Notes), approximate their fair value. The fair value of the Senior Notes, mandatorily redeemable preferred stock, cumulative convertible preferred stock and interest rate swap transactions are based on market quotes and the fair values are as follows:

	<u>December 31, 2000</u>		<u>December 31, 1999</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
	(in millions)		(in millions)	
Senior notes	\$ 3,471	\$ 3,286	\$ 3,068	\$ 3,056
Mandatorily redeemable preferred stock	488	435	486	499
Cumulative convertible preferred stock	2,670	1,483	1,599	1,975
Interest rate swap transactions	—	9	—	7

11. OTHER DEFERRED LIABILITIES

At December 31, 2000 and 1999, other deferred liabilities consisted of the following:

	<u>December 31,</u>	
	<u>2000</u>	<u>1999</u>
	(in millions)	
Long-term obligations under capital lease	\$ 217	\$214
Long-term obligations under inland service agreements	9	7
Deferred tax income	1,353	263
Post employment benefit obligations	147	153
Other	14	5
	<u>\$1,740</u>	<u>\$642</u>

12. OBLIGATIONS UNDER CAPITAL AND OPERATING LEASES

The Company has capitalized the future minimum lease payments of property and equipment under leases that qualify as capital leases.

At December 31, 2000, future minimum payments under these capital leases are as follows (in millions) and are included in other current liabilities and other deferred liabilities in the accompanying consolidated balance sheet:

Year Ending December 31,	
2001	\$ 55
2002	49
2003	47
2004	60
2005	28
Thereafter	<u>415</u>
Total minimum lease payments	654
Less: Amount representing maintenance payments	(132)
Less: Amount representing interest	<u>(261)</u>
Present value of minimum lease payments	<u>\$ 261</u>

GLOBAL CROSSING LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company has commitments under various non-cancelable operating leases. Estimated future minimum lease payments on operating leases are approximately as follows (in millions):

Year Ending December 31,	
2001	\$ 246
2002	198
2003	189
2004	177
2005	123
Thereafter	<u>824</u>
Total	<u>\$1,757</u>

Rental expense related office space and equipment for the years ended December 31, 2000, 1999, and 1998 is \$134 million, \$68 million, and \$1 million, respectively.

13. PREFERRED STOCK

Outstanding preferred stock as of December 31, 2000 and 1999 consists of the following:

	December 31,	
	2000	1999
	(in millions)	
Mandatorily redeemable preferred stock:		
10½% Mandatorily Redeemable Preferred Stock, 5,000,000 shares issued and outstanding as of December 31, 2000 and 1999 respectively, \$100 liquidation preference per share plus accumulated and unpaid dividends	\$ 488	\$ 486
Cumulative convertible preferred stock:		
6¾% Cumulative Convertible Preferred Stock, 5,440,030 and 10,000,000 shares issued and outstanding as of December 31, 2000 and 1999, respectively, \$100 liquidation preference per share	527	969
7% Cumulative Convertible Preferred Stock, 2,600,000 shares issued and outstanding as of December 31, 2000 and 1999, \$250 liquidation preference per share	630	630
6¾% Cumulative Convertible Preferred Stock, Series B, 400,000 shares issued and outstanding as of December 31, 2000, \$1,000 liquidation preference per share	400	—
6¾% Cumulative Convertible Preferred Stock, 4,600,000 shares issued and outstanding as of December 31, 2000, \$250 liquidation preference per share	<u>1,113</u>	<u>—</u>
Total cumulative convertible preferred stock	<u>2,670</u>	<u>1,599</u>
Total preferred stock	<u>\$3,158</u>	<u>\$2,085</u>

10½% Mandatorily Redeemable Preferred Stock

In December 1998, GCHL authorized the issuance of 7,500,000 shares of preferred stock ("GCHL Preferred Stock"). In December 1998, 5,000,000 shares of GCHL Preferred Stock were issued for \$500 million in cash. The Company reserved for future issuances up to 2,500,000 shares to pay dividends. Dividends accrued as of December 31, 2000 and 1999 were \$4 million for both years. Unamortized issuance costs were \$11.8 million and \$14.1 million as of December 31, 2000 and 1999, respectively.

GLOBAL CROSSING LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The holders of the GCHL Preferred Stock are entitled to receive cumulative, semi-annual compounding dividends at an annual rate of 10½% of the \$100 liquidation preference per share. At the Company's option, accrued dividends may be paid in cash or paid by issuing additional preferred stock (i.e. pay-in-kind) until June 1, 2002, at which time they must be paid in cash. As of December 31, 2000, all dividends had been paid in cash. Dividends are payable semi-annually in arrears on each June 1 and December 1. The preferred stock ranks senior to all common stock of GCHL with respect to dividend rights, rights of redemption or rights on liquidation and on a parity with any future preferred stock of GCHL. The preferred stock is junior in right of payment of all indebtedness of GCHL and its subsidiaries. The preferred stock is non-voting unless the accumulation of unpaid dividends (or if, beginning on June 1, 2002, such dividends are not paid in cash) on the outstanding preferred stock is an amount equal to three semi-annual dividend payments.

The preferred stock has a mandatory redemption on December 1, 2008 at a price in cash equal to the then effective liquidation preference thereof, plus all accumulated and unpaid dividends thereon to the date of redemption. The preferred stock can be redeemed, in whole or in part, at the Company's option starting in 2003 at specified premiums declining to par value in 2006.

The certificate of designation governing the preferred stock imposes certain limitations on the ability of the Company to, among other things, (i) incur additional indebtedness and (ii) pay certain dividends and make certain other restricted payments and investments, which limitations are in part based upon satisfaction of tests of "consolidated cash flow," as defined.

Cumulative Convertible Preferred Stock

In April 2000, the Company issued 4,000,000 shares of 6¾% Cumulative Convertible Preferred Stock with net proceeds of approximately \$970 million. Each share of preferred stock is convertible into 6.3131 shares of common stock, based on a conversion price of \$39.60. Dividends on the preferred stock are cumulative from the date of issue and payable on January 15, April 15, July 15, and October 15 of each year at the annual rate of 6¾%. In May 2000, pursuant to an over-allotment option held by the underwriters of the preferred stock, the Company issued an additional 600,000 shares of 6¾% cumulative convertible preferred stock for net proceeds of approximately \$143 million. Dividends accrued as of December 31, 2000 were \$16.1 million. The preferred stock can be redeemed, at the Company's option, starting in 2005 at specified premiums declining to par in 2010.

In January of 2000, the Company issued to Hutchison 400,000 shares of 6¾% Cumulative Convertible Preferred Stock, Series B as part of the consideration paid for its 50% economic ownership interest in the HGC joint venture. Each share of preferred stock is convertible into 22.2222 shares of common stock, based on a conversion price of \$45.00 per share. Dividends of the preferred stock are cumulative from the date of issuance and are payable on February 1, May 1, August 1, and November 1 of each year at an annual rate of 6¾%. Dividends accrued as of December 31, 2000 were \$4.3 million. The preferred stock can be redeemed, at the Company's option, starting in 2004 at specified premiums declining to par in 2009.

In December 1999, GCL issued 2,600,000 shares of 7% cumulative convertible preferred stock for net proceeds of \$630 million. Each share of preferred stock is convertible into 4.6948 shares of common stock based on a conversion price of \$53.25. Dividends on the preferred stock are cumulative from the date of issue and payable on February 1, May 1, August 1 and November 1 of each year at the annual rate of 7%. Dividends accrued as of December 31, 2000 and 1999 were \$7.6 million and \$1.9 million, respectively. The preferred stock can be redeemed, at the Company's option, starting in 2004 at specified premiums declining to par in 2009.

GLOBAL CROSSING LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In November 1999, the Company issued 10,000,000 shares of 6¾% cumulative convertible preferred stock for net proceeds of approximately \$969 million. Each share of preferred stock is convertible into 2.2222 shares of common stock, based on a conversion price of \$45.00. Dividends on the preferred stock are cumulative from the date of issue and payable on February 1, May 1, August 1 and November 1 of each year at the annual rate of 6¾%. Dividends accrued as of December 31, 2000 and 1999 were \$5.8 million and \$9.7 million, respectively. The preferred stock can be redeemed, at the Company's option, starting in 2004 at specified premiums declining to par in 2009.

In April 2000, the Company issued in privately negotiated transactions with certain holders of its 6¾% cumulative convertible preferred stock an aggregate of 12,363,489 shares of its common stock in exchange for an aggregate of 4,559,970 shares of preferred stock. The fair market value of the shares of common stock issued by the Company (in excess of what would have been issued by the Company upon conversion of the preferred stock in accordance with the terms of the preferred stock) is included in the accompanying statement of operations as a \$92 million charge for conversion of preferred stock.

Each series of convertible preferred stock ranks junior to each other class of capital stock other than common stock of GCL with respect to dividend rights, rights of redemption or rights on liquidation and on a parity with any future preferred stock of GCL. The convertible preferred stock is junior in right of payment of all indebtedness of GCL and its subsidiaries. The preferred stock is non-voting unless the accumulation of unpaid dividends on the outstanding preferred stock is an amount equal to six quarterly dividend payments. Holders of preferred stock have the right to require the Company to repurchase shares of the preferred stock at par following the occurrence of certain change of control transactions.

Preferred stock dividends included the following:

	December 31,		
	2000	1999	1998
	(in millions)		
Preferred stock dividends	\$219	\$ 64	\$ 12
Amortization of discount on preferred stock	—	—	1
Amortization of preferred stock issuance costs	2	3	—
	<u>\$221</u>	<u>\$ 67</u>	<u>\$ 13</u>

14. SHAREHOLDERS' EQUITY

April 2000 Offering

On April 14, 2000, the Company issued approximately 21.7 million shares of common stock for net proceeds of approximately \$688 million. In connection with this issuance and sale by the Company of common stock, certain existing shareholders sold an aggregate of approximately 21.3 million shares of common stock, for which the Company received no proceeds.

Stock Split

In February 1999, the Company's Board of Directors declared a 2-for-1 split of the Company's common stock in the form of a stock dividend, which was effective on March 9, 1999. All share information presented in these consolidated financial statements gives retroactive effect to the 100-for-1 stock split in January 1998, 1.5-for-1 stock dividend in August 1998 and 2-for-1 stock dividend on March 9, 1999.

GLOBAL CROSSING LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Share Cancellation

For the year ended December 31, 1999, other (expense) income, net was composed primarily of a \$210 million termination fee paid by US West, Inc. ("US West") in connection with the termination of its merger agreement with the Company, net of related expenses. In addition, as part of the break-up fee received from US West, the Company received 2,231,076 shares of its common stock from US West which were cancelled by the Company.

Treasury Stock

In 1998, GCL purchased all common shares owned by Telecommunications Development Corporation ("TDC") in the Company in exchange for 300,000 fewer newly issued shares of common stock based upon the per share value at the repurchase date. The transaction benefited GCL since 300,000 fewer shares were outstanding after the repurchase without any cost to GCL. This transaction was accounted for as the acquisition of treasury stock and was recorded at \$209 million, the fair value of the consideration given. Certain officers and directors of the Company held direct or indirect equity ownership positions in TDC, resulting in these officers and directors having a majority of the outstanding common stock of TDC. Following this transaction, TDC distributed all of its shares of common stock and GCL warrants to the holders of its common stock and was then liquidated.

15. OTHER OPERATING EXPENSES

Other operating expenses for the years ended December 31, 2000, 1999, and 1998 consist of the following:

	December 31,		
	2000	1999	1998
	(in millions)		
Selling, general and administrative	\$1,175	\$386	\$ 93
Network development and other	767	262	57
	<u>\$1,942</u>	<u>\$648</u>	<u>\$150</u>

16. TAXES

The benefit (provision) for income taxes is comprised of the following:

	December 31,		
	2000	1999	1998
	(in millions)		
Current	\$ 183	\$(124)	\$(23)
Deferred	(38)	16	(10)
Total income tax benefit (provision)	<u>\$ 145</u>	<u>\$(108)</u>	<u>\$(33)</u>

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes.

Bermuda does not impose a statutory income tax and consequently the provision for income taxes recorded relates to income earned by certain subsidiaries of the Company which are located in jurisdictions which impose income taxes.

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following is a summary of the significant items giving rise to components of the Company's deferred tax assets and liabilities:

	December 31,			
	2000		1999	
	Assets	Liabilities	Assets	Liabilities
	(in millions)		(in millions)	
Bad debt reserve	\$ 12	\$ —	\$ 6	\$ —
Research and development costs	—	(68)	—	(41)
Depreciation	—	(334)	—	(211)
Basis adjustment related to the disposition of GlobalCenter	—	(850)	—	—
Basis adjustment to purchased companies	—	(188)	—	(32)
Employee benefits obligation	—	(39)	—	(50)
Net operating loss (NOL) carryforwards	204	—	58	—
Deferred revenue	125	—	—	—
Other	70	(78)	40	(15)
	411	(1,557)	104	(349)
Valuation allowance	(207)	—	(53)	—
	<u>\$ 204</u>	<u>\$(1,557)</u>	<u>\$ 51</u>	<u>\$(349)</u>

The Company recorded a valuation allowance of \$154 million and \$53 million for the years ended December 31, 2000 and 1999, respectively. The valuation allowance is related to deferred tax assets due to the uncertainty of realizing the full benefit of the NOL carryforwards. In evaluating the amount of valuation allowance needed, the Company considers the acquired companies' prior operating results and future plans and expectations. The utilization period of the NOL carryforwards and the turnaround period of other temporary differences are also considered. The Company's NOLs begin to expire in 2004.

17. NET LOSS PER SHARE

Losses per share are calculated in accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share." Share and per share data presented reflects all stock dividends and stock splits.

The following is a reconciliation of the numerators and the denominators of the basic and diluted loss per share:

	December 31,		
	2000	1999	1998
	(in millions, except share and per share data)		
Income (loss) from continuing operations	\$ (1,308)	\$ 7	\$ (68)
Preferred stock dividends	(221)	(67)	(13)
Charge for conversion of preferred stock	(92)	—	—
Redemption of preferred stock	—	—	(34)
Loss from continuing operations applicable to common shareholders	<u>\$ (1,621)</u>	<u>\$ (60)</u>	<u>\$ (115)</u>
Weighted average share outstanding:			
Basic and diluted	<u>844,153,231</u>	<u>502,400,851</u>	<u>358,735,340</u>
Loss from continuing operations applicable to common shareholders			
Basic and diluted	<u>\$ (1.92)</u>	<u>\$ (0.12)</u>	<u>\$ (0.32)</u>

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Options and warrants did not have an effect on the computation of diluted loss per share in 2000, 1999, and 1998 since they were anti-dilutive.

18. STOCK OPTION PLAN

GCL maintains a stock option plan under which options to acquire shares may be granted to directors, officers, employees and consultants of the Company. The Company accounts for this plan under APB Opinion No. 25, under which compensation cost for employees and directors is recognized only to the extent that the market price of the stock exceeds the exercise price on the measurement date. Terms and conditions of the Company's options, including exercise price and the period in which options are exercisable, generally are at the discretion of the Compensation Committee of the Board of Directors, except that options can not be granted with an exercise price that is less than the fair market value at the date of grant and substantially all options are exercisable for a period of no more than ten years.

Prior to its merger with the Company, Frontier maintained stock option plans for its directors, executives and certain employees. In connection with the Frontier merger, the Company exchanged all of the outstanding Frontier stock options for 25.3 million Global Crossing stock options which vested immediately at the date of the merger. As of December 31, 2000, 13.7 million stock options under the Frontier plans remained vested and outstanding.

Prior to its merger with the Company, IPC and IXnet maintained stock option plans for its directors, executives and certain employees. In connection with the merger, the Company exchanged all of the outstanding IPC and IXnet stock options for 15.2 million Global Crossing stock options. As of the date of the merger, IPC and IXnet Stock Options vest over a period of zero to three years. As of December 31, 2000, 12.7 million stock options under the IPC and IXnet plans remained outstanding while 6.1 million remained vested.

Additional information regarding options granted and outstanding for the years ended December 31, 2000 and 1999 are summarized below:

	Options Available For Grant	Number of Options Outstanding	Weighted Average Exercise Price
Balance as of December 31, 1997	—	—	—
Authorized	33,215,730	—	—
Granted	(30,762,466)	30,762,466	\$ 2.85
Exercised	—	(656,688)	1.06
Cancelled	3,253,000	(3,253,000)	1.11
Balance as of December 31, 1998	5,706,264	26,852,778	3.11
Authorized	82,010,014	—	—
Granted	(65,019,955)	65,019,955	24.20
Exercised	—	(10,058,073)	11.07
Cancelled	3,175,154	(3,175,154)	22.17
Balance as of December 31, 1999	25,871,477	78,639,506	18.76
Authorized	36,214,648	—	—
Granted	(50,527,641)	50,527,641	25.92
Exercised	—	(13,996,555)	6.24
Cancelled	17,461,295	(17,461,295)	34.66
Balance as of December 31, 2000	<u>29,019,779</u>	<u>97,709,297</u>	<u>\$21.41</u>

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables summarize information concerning outstanding and exercisable options:

Range of Exercise Prices	Number Outstanding	Options Outstanding		Options Exercisable	
		Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price per Share	Number Exercisable	Weighted Average Exercise Price per Share
\$ 0.35 to \$ 2.00	11,463,208	7.21	\$ 1.15	9,602,244	\$ 1.21
2.43 to 10.10	7,185,630	7.51	6.66	5,347,647	7.31
10.25 to 13.09	12,827,682	7.62	11.80	7,344,247	11.78
13.14 to 19.82	14,890,328	7.78	16.60	11,592,600	16.59
19.85 to 26.25	21,879,544	8.86	24.77	7,061,732	25.05
27.04 to 30.00	14,255,313	9.43	29.34	688,632	28.87
\$30.06 to \$61.38	15,207,592	8.85	44.17	4,858,332	45.16
Total	<u>97,709,297</u>	<u>8.32</u>	<u>\$21.41</u>	<u>46,495,434</u>	<u>\$16.04</u>

As of December 31, 1999 and 1998 the Company had exercisable options outstanding of 33,592,901 and 6,731,667 respectively. The weighted average exercise price of the exercisable options was \$11.66 and \$1.91 as of December 31, 1999 and 1998, respectively.

During the years ended December 31, 2000 and 1999, the Company recorded in additional paid-in capital \$23 million and \$55 million, respectively, of unearned compensation, relating to awards under the stock incentive plan and the grant of certain economic rights and options to purchase common stock. During 2000, 1999 and 1998, the Company recognized expense of \$48 million, \$51 million and \$39 million, respectively, of stock compensation relating to the stock incentive plan and the vested economic rights to purchase common stock.

The Company entered into an employment arrangement with a key executive, and granted him economic rights to purchase two million shares of common stock at \$2.00 per share. One-third of these economic rights vested immediately and the balance vests over two years. The Company recorded the excess of the fair market value of these options and rights over the purchase price as unearned stock compensation in the amount of \$15 million during the year ended December 31, 1998. The unearned compensation is being recognized as expense over the vesting period of the economic right.

As permitted by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), the Company accounted for employee stock options under APB 25 and is recognizing compensation expense over the vesting period to the extent that the fair value of the stock on the date the options were granted exceeded the exercise price. The Company did not grant any options with an exercise price that was less than the fair market value at the date of grant during the year ended December 31, 2000 and the 1998 GCL Stock Incentive Plan, as amended, prohibits such grants. However, the Company did grant options with an exercise price that was less than fair market value at the date of grant in prior years and continues to recognize the remaining compensation expense over the vesting period. Had compensation cost for the Company's stock-based compensation plans been determined consistent with the SFAS 123 fair value approach, the impact on the Company's loss applicable to common shareholders and loss per share would be as follows:

	Year Ended December 31, 2000	Year Ended December 31, 1999	Year Ended December 31, 1998
	(in millions, except per share information)		
Loss applicable to common shareholders:			
As reported	\$(1,980)	\$ (178)	\$ (135)
Pro forma	\$(2,320)	\$ (276)	\$ (142)
Basic and diluted loss per share:			
As reported	\$ (2.35)	\$(0.35)	\$(0.38)
Pro forma	\$ (2.75)	\$(0.55)	\$(0.39)

GLOBAL CROSSING LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Under SFAS 123, the fair value of each option is estimated on the date of grant using the Black-Scholes option-pricing model assuming the following weighted average assumptions used for the year ended December 31, 2000; zero dividend yield, expected volatility of 84.77%, weighted average risk free rate of return of 5.92% and expected life of 4 years. For the year ended December 31, 1999; zero dividend yield, expected volatility of 40.00%, weighted average risk free rate of return of 6.56% and expected life of 4 years. For the year ended December 31, 1998; zero dividend yield, expected volatility of 0% to 42%, weighted average risk free return rate of 5.45% and expected life of 4 years.

19. EMPLOYEE BENEFIT PLANS

Defined Contribution Plans

The Company offers its qualified employees the opportunity to participate in a defined contribution retirement plan qualifying under the provisions of Section 401(k) of the Internal Revenue Code. Each eligible employee may contribute on a tax-deferred basis a portion of their annual earnings not to exceed certain limits. The Company matches one-half of individual employee contributions up to a maximum level not to exceed 7.5% of the employee's compensation. The Company's contributions to the plan vest immediately. Expenses recorded by the Company relating to its 401(k) plan were approximately \$1.3 million, \$0.6 million and \$0.2 million for the years ended December 31, 2000, 1999 and 1998, respectively.

The Company also sponsors a number of defined contribution plans for Frontier employees. The most significant plan covers non-bargaining employees, who can elect to make contributions through payroll deduction. The Company provides a contribution of .5 percent of gross compensation in common stock for every employee eligible to participate in the plan. The common stock used for matching contributions is purchased on the open market by the plan's trustee. The Company also provides 100% matching contributions in its common stock up to three percent of gross compensation, and may, at the discretion of management, provide additional matching contributions based upon Frontier's financial results. The total cost recognized for all defined contribution plans was \$13.2 million and \$2.6 million for the year ended December 31, 2000 and three months ended December 31, 1999, respectively.

IPC sponsors a defined contribution retirement plan qualifying under the provisions of Section 401(k) of the Internal Revenue Code for qualified employees of IPC and IXnet. Each eligible employee may contribute on a tax-deferred basis a portion of their annual earnings not to exceed certain limits. The Company matches up to 100% of individual employee contributions up to the first 6% of the employee's compensation. Expenses recorded by the Company relating to the IPC 401(k) plan were approximately \$1.3 million from the date of acquisition through December 31, 2000. On January 1, 2001, the plan will be frozen and all new contributions will be prohibited. All other plan transactions such as fund transfers and hardship withdrawals will continue to be permitted. It is expected that the plan will be merged into the 401(k) plan administered by the Company by mid-2001.

On November 1, 1999, the Company established a defined contribution plan for employees of Global Marine Systems ("GMS") who were hired subsequent to this date. Each eligible employee may contribute on a tax-deferred basis a portion of their annual earnings not to exceed certain limits. The Company matches up to the first 5% of individual employee contributions which vest after 3 years. Expenses recorded by the Company relating to the Global Marine plan were approximately \$0.3 million for the year ended December 31, 2000. Expenses relating to 1999 are immaterial. Employees who were employed by Cable and Wireless plc ("C&W") prior to the acquisition and participated in a defined benefit plan sponsored by C&W, as explained below, were offered the opportunity to participate in a defined benefit plan commencing on November 1, 1999.

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

On May 24, 2000, the Company established a defined contribution plan ("the Plan") for the employees of Global Crossing (UK) Telecommunications Limited, formerly Racal Telecom. Each eligible employee may contribute on a tax-deferred basis a portion of their annual earnings not to exceed certain limits. The Company will match up to the first 8% of individual employee contributions, which vest after two years. Expenses recorded by the Company relating to the Plan were approximately \$2.0 million for the year ended December 31, 2000.

Pension Plan

As a result of the acquisition of GMS from C&W in July of 1999, the Company maintains a noncontributory benefit plan for its former GMS employees. Prior to the acquisition, GMS employees participated in a defined benefit plan sponsored by C&W and funded through a separate exempt approved trust.

Subsequent to the acquisition, the plan was evaluated to determine the assets and obligations relating to the employees of Global Marine Systems. On November 1, 1999, the Company established a noncontributory plan for its former GMS employees providing similar benefits to the C&W plan. Plan assets and obligations for all GMS employees participating in the C&W plan were transferred to the new plan on November 1, 1999, except for employees who retired within six months after the acquisition of GMS. The plan is funded through a separate exempt approved trust. The plan assets and benefit obligations are not material to the Company.

Employees of Racal Telecom, prior to its acquisition by the Company on November 24, 1999, participated in defined benefit plans (the "Racal Plans") sponsored by its parent company, Racal Electronics, plc ("Racal Electronics"). These plans covered all employees of Racal Electronics' combined group.

Subsequent to the acquisition, the Racal Plans were evaluated to determine the benefits relating to the employees of Racal Telecom. The Company continued to contribute to the Racal Electronics' defined benefit plan on behalf of the former employees of Racal Telecom during the interim period up to May 23, 2000. Employees could elect to either transfer their benefits to a defined contribution plan newly established by the Company, or elect to maintain their benefits within Racal Electronics' defined benefit plan. The transfer of assets and liabilities has not yet been completed. The assets and benefit obligations of the Racal Plans for the period from January 1, 2000 to May 23, 2000 and for the period of November 24, 1999 to December 31, 1999 are not material to the Company's financial statements.

See note 4 for discussion of the Company's defined benefit plan relating to its ILEC employees.

20. COMMITMENTS, CONTINGENCIES AND OTHER

As of December 31, 2000, the Company was committed under contracts to upgrade and/or construct its Atlantic Crossing, Mid-Atlantic Crossing, Pan American Crossing, South American Crossing, Pan European Crossing and East Asia Crossing systems for future construction costs totaling approximately \$1.4 billion.

During 1999, Atlantic Crossing Ltd. entered into contracts with Tyco Submarine Systems Ltd. ("TSSL") providing for upgrades of AC-1, as well as an OA&M agreement. These contracts also provided for the payment of sales commissions to TSSL on certain revenues. During 2000, the Company paid approximately \$19 million related to the early termination of the OA&M agreement. In addition, TSSL provided the Company with a notice of termination with respect to the commission agreement. The agreement and TSSL's termination thereof are the subject of an arbitration proceeding. Further information on TSSL matters is included in legal proceedings in Item 3 of the Company's Form 10-K for the year ended December 31, 2000.

GLOBAL CROSSING LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Upon the sale of GlobalCenter to Exodus, various lease agreements were assigned to Exodus on which the Company remains as guarantor. The obligations expire between 2002 and 2025.

The Company and a number of its subsidiaries in the normal course of business are party to a number of judicial, regulatory and administrative proceedings. The Company's management does not believe that any material liability will be imposed as a result of any of these matters.

21. RELATED PARTY TRANSACTIONS

Relationship to Softbank

Eric Hippeau, a director of Global Crossing, is President & Executive Managing Director of Softbank International Ventures, a subsidiary of Softbank, which is an investor in the AGC joint venture. See note 7. Softbank's economic interest in AGC was approximately 15.4% at December 31, 2000. Mr. Hippeau is Softbank's representative on the AGC board of directors.

Agreements with Global Crossing Stockholders

On February 22, 2000, Global Crossing entered into a consent and voting agreement with a number of IPC stockholders, including David Walsh, who became an executive officer of Global Crossing after its acquisition of IPC. Under the consent and voting agreement, these IPC stockholders consented to the adoption of the merger agreement with Global Crossing. The consent and voting agreement also imposed restrictions on the transfer of IPC shares held by the IPC stockholders prior to the merger and continues to impose restrictions on the transfer of shares of Global Crossing common stock which the IPC stockholders acquired in the merger. Under these provisions, Mr. Walsh may not transfer more than 62.5% of the Global Crossing shares that he received in the merger (including shares underlying stock options that were vested at that time) until June 14, 2002, nor may he transfer more than 25% of such shares through June 14, 2001. Similar provisions restricting the pledge of shares by the IPC stockholders were eliminated by way of amendment in October 2000.

Also on February 22, 2000, several senior executives of IPC and IXnet, including Mr. Walsh, entered into an agreement with Global Crossing, IPC and IXnet pursuant to which these senior executives agreed to limit the percentage of their unvested options for IPC and IXnet common stock vesting upon the change in control, as defined in the IPC and IXnet option plans, to 50% rather than 100%, in the case of IPC, and 25% rather than 50%, the case of IXnet. Mr. Walsh also agreed to relinquish vesting with respect to 50% of his fully vested options for IXnet common stock as of the change in control, as defined in the IXnet stock option plan. Under this agreement, one-third of the remaining options of these senior executives will vest on each of the first three anniversaries of the June 14, 2000 closing of the acquisition.

In August 1998, the Company and some of its shareholders, including some officers and directors and their affiliates, entered into a Registration Rights Agreement. Under the Registration Rights Agreement, Global Crossing shareholders who are parties to that agreement and a number of their transferees have demand and piggyback registration rights relating to shares of Global Crossing stock held by them and will receive indemnification and, in some circumstances, reimbursement for expenses from the Company in connection with an applicable registration.

Loans to Executive Officers

In November 2000, an executive officer of the Company, received a loan in the aggregate principal amount of \$8 million. The loan bears interest at the rate of 6.01% per annum, is repayable in full in October 2005 or upon the earlier termination of the officer's employment for cause or due to the officer's resignation, and is secured by a deed of trust on the officer's principal residence.

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In March 2001, an executive officer of the Company, received a loan in the aggregate principal amount of \$1.8 million. The loan bears interest at the rate of 4.75% per annum, is repayable in full in March 2002 or upon the earlier termination of the officer's employment, and is secured by a second mortgage on the officer's principal residence.

Transactions with Pacific Capital Group and its Affiliates

The Company has entered into certain transactions with affiliates of Pacific Capital Group ("PCG"), which is controlled by certain officers and directors of the Company who either currently are or at one time were affiliated with PCG. During 1999, the Company subleased from PCG two suites of offices in Beverly Hills for payments aggregating approximately \$287 thousand over the year. The sublease was not renewed for the year ended December 31, 2000.

In addition, the Company entered into a lease with North Crescent Realty V, LLC, which is managed by and affiliated with PCG, for an aggregate monthly cost of approximately \$400 thousand for the years ended December 31, 2000 and 1999. North Crescent Realty, LLC paid approximately \$7.5 million during 1999 to improve the property to meet the Company's specifications and was reimbursed approximately \$3.2 million of this amount by the Company. The Company engaged an independent real estate consultant to review the terms of the Company's occupancy of the building, which terms were found by the consultant to be consistent with market terms and conditions and the product of an arm's length negotiation. During 1999, the Company subleased part of the building to PCG for an aggregate monthly cost of approximately \$53 thousand. From January 2000 through September 2000 and October 2000 through December 2000, PCG subleased 12,000 and 6,000 square feet of space, respectively. Total sublease payments for the year ended December 31, 2000 were approximately \$429 thousand.

PCG has fractional ownership interests in aircrafts used by the Company during 1999. The Company reimburses PCG for PCG's cost of maintaining these ownership interests such that PCG realizes no profit from the relationship. During 2000 and 1999, PCG billed the Company approximately \$270 thousand and \$2 million in aggregate under this arrangement, respectively.

In March 2000, Global Crossing entered into a ten year lease of an aircraft that had previously been owned by WINCO Aviation, an affiliate of PCG. A commercial equipment financing company purchased the aircraft from WINCO Aviation and then leased the aircraft to Global Crossing on standard commercial terms. The purchase price of the aircraft was approximately \$12.5 million, which is the amount WINCO Aviation paid for the aircraft, before transaction costs, when WINCO Aviation first acquired the aircraft in August 1999. As supported by two independent appraisals obtained by Global Crossing, the fair market value of the aircraft was in excess of the purchase price. Prior to the commencement of the lease in March 2000, Global Crossing paid WINCO Aviation approximately \$628 thousand for private charter services for the use of this aircraft.

In March 1997, the Company entered into an advisory services agreement ("ASA") with an affiliate of PCG. Under the ASA, PCG provided the Company with advice in respect of the development and maintenance of AC-1, development and implementation of marketing and pricing strategies and the preparation of business plans and budgets. As compensation for its advisory services, PCG received a 2% fee on the gross revenue of the Company over a 25 year term, subject to certain restrictions, with the first such payment to occur at the AC-1 RFS date. Advances on fees payable under the ASA were being paid to PCG at a rate of 1% on signed CPAs until the ASA was terminated, as described below. Fees paid under the ASA to PCG were shared amongst Union Labor Life Insurance Company, PCG, Canadian Imperial Bank of Commerce and certain directors and officers of the Company, all of whom are shareholders of GCL. Effective June 1998, GCL acquired the rights under the ASA on behalf of the Company for common stock and contributed such rights to

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

the Company as the ASA was terminated. This transaction was recorded in the consolidated financial statements as an increase in additional paid-in capital of \$135 million and a charge against operations in the amount of \$138 million. The \$138 million is comprised of a \$135 million settlement of the fees that would have been payable and the cancellation of \$3 million owed to the Company under a related advance agreement. The \$135 million amount was calculated by applying the 2% advisory services fee to projected future revenue and discounting the amount relating to AC-1 revenue by 12% and the amount relating to all other system's revenue by 15%. The result of this calculation was \$156 million, which amount was subsequently reduced to \$135 million. Both the discount rates and the ultimate valuation were determined as a result of a negotiation process including a non-management director of the Company and the various persons entitled to fees under the ASA. The Company obtained a fairness opinion from an independent financial advisor in connection with this transaction. In addition, the Company incurred approximately \$2 million of advisory fees prior to termination of the contract, for a total expense of \$140 million for the year ended December 31, 1998.

Relationship with Brownstein Hyatt & Farber, P.C.

Norman Brownstein, a director of the Company, is Chairman of the law firm of Brownstein Hyatt & Farber, P.C. During 1999, Global Crossing retained Mr. Brownstein and Brownstein Hyatt & Farber to perform legal and consulting services relating to governmental relations (including regulatory affairs), real estate matters, and mergers and related transactions. Global Crossing paid approximately \$6.9 million for these services in 1999. During 2000, Global Crossing paid approximately \$900 thousand to Brownstein Hyatt & Farber for legal and lobbying services. It is expected that Brownstein Hyatt & Farber will continue to provide such services to the Company throughout 2001, and the firm receives a monthly retainer of \$50 thousand in that regard. In addition, in his capacity as a consultant, (i) on December 1, 1998, Mr. Brownstein was issued options to purchase 500,000 shares of Global Crossing common stock at an exercise price of \$13.255, with 133,334 such options vesting immediately and the remainder vesting on each of the first three anniversaries of the date of grant and (ii) on August 6, 1999, Mr. Brownstein was issued options to purchase 250,000 shares of Global Crossing common stock at an exercise price of \$33 per share, such options vesting ratably on each of the first three anniversaries of the date of grant.

Certain Agreements with Asia Global Crossing

GCL and AGC entered into an agreement that governs the relationship between the companies and their respective subsidiaries and affiliates, including provision of network services, coordination and use of bundled service offerings, marketing, pricing of service offerings and strategies, branding, rights with respect to intellectual property and other shared technology and operational, maintenance and administrative services. In addition, AGC sells network capacity to third-party customers directly and indirectly through GCL and its affiliates. AGC's revenues from such sales of capacity for the year ended December 31, 2000 were \$100.9 million. In 2000, AGC purchased network capacity of approximately \$25.2 million from the Company.

The Company provides AGC with general corporate services, including accounting, legal, human resources, information systems services and other office functions. The related charges are allocated to AGC based on estimated usage of the common resources at agreed upon rates believed by management to be reasonable.

22. SEGMENT REPORTING

The Company is a global provider of Internet and long distance telecommunications facilities and related services supplying its customers with global "point to point" connectivity and, through its Global Marine Systems subsidiary, providing cable installation and maintenance services. The Company's reportable segments

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

include telecommunications services and installation and maintenance services. The Company's chief decision maker monitors the revenue streams of the various products and geographic locations, operations are managed and financial performance is evaluated based on the delivery of multiple, integrated services to customers over a single network.

The information below summarizes certain financial data of the Company by segment:

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
Revenue:			
Commercial	\$ 1,421	\$ 258	\$ —
Consumer	169	48	—
Carrier:			
Service revenue	1,361	289	—
Sales type lease revenue	350	728	419
Amortization of prior period IRUs	28	7	5
Carrier	1,739	1,024	424
Telecommunications service revenue	\$ 3,329	\$ 1,330	\$ 424
Telecommunications services Segment revenue—data products	1,256	857	424
Telecommunications services Segment revenue—voice products	2,073	473	—
Telecommunications services revenue	3,329	1,330	424
Installation and maintenance Segment revenue	460	161	—
Consolidated revenue	\$ 3,789	\$ 1,491	\$ 424
Selected Financial Information:			
Operating income (loss):			
Telecommunication services	\$ (1,400)	\$ (3)	\$ (20)
Installation and maintenance	4	(1)	—
Consolidated	\$ (1,396)	\$ (4)	\$ (20)
Recurring adjusted EBITDA:			
Telecommunications services	\$ 1,367	\$ 587	\$ 364
Installation and maintenance	102	39	—
Consolidated	\$ 1,469	\$ 626	\$ 364
Total assets:			
Telecommunication services	\$24,900	\$13,730	
Installation and maintenance	1,316	1,519	
Other ⁽¹⁾	3,969	3,968	
Consolidated	\$30,185	\$19,217	
Cash paid for capital expenditures:			
Telecommunications services	\$ 4,222	\$ 1,791	
Installation and maintenance	67	171	
Consolidated	\$ 4,289	\$ 1,962	

Recurring Adjusted Earnings before Interest, Taxes, Depreciation and Amortization, or Recurring Adjusted EBITDA, is calculated as operating income (loss), plus depreciation and amortization, which includes non-cash cost of capacity sold, stock related expenses, the cash portion of the change in deferred revenue, merger-related expenses, and certain non-recurring items. This definition is consistent with financial covenants contained in the Company's major financial agreements. The Company's management uses Recurring Adjusted EBITDA to monitor compliance with its financial covenants and to measure the performance and liquidity of its reportable

(1) Includes net assets of discontinued operations.

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

segments. This information should not be considered as an alternative to any measure of performance as promulgated under GAAP. The Company's calculation of Recurring Adjusted EBITDA may be different from the calculation used by other companies and, therefore, comparability may be limited.

The calculation of Recurring Adjusted EBITDA is as follows:

	Year Ended December 31, 2000	Year Ended December 31, 1999	Year Ended December 31, 1998
		(in millions)	
Operating loss	\$(1,396)	\$ (4)	\$ (20)
Depreciation and amortization	1,381	451	141
Stock related expense	48	51	39
Cash portion of the change in deferred revenue	1,371	121	64
Merger-related expenses and severance	37	7	—
TSSL claims settlement and related fees	28	—	—
Termination of Advisory Services Agreement	—	—	140
Recurring Adjusted EBITDA	<u>\$ 1,469</u>	<u>\$626</u>	<u>\$364</u>

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Company information provided on geographic sales is based on the order location of the customer. Long-lived assets is based on the physical location of the assets. The following table presents revenue and long-lived asset information for geographic areas:

	2000		1999		1998
	Revenue	Long-Lived Assets	Revenue	Long-Lived Assets	Revenue ⁽¹⁾
	(in millions)				
North America					
United States	\$2,790	\$ 3,601	\$ 820	\$ 1,944	\$195
Other	31	45	64	27	65
	<u>2,821</u>	<u>3,646</u>	<u>884</u>	<u>1,971</u>	<u>260</u>
Europe					
The Netherlands	68	271	90	92	47
Germany	118	307	146	204	37
United Kingdom	516	885	107	722	35
Other	37	659	245	303	45
	<u>739</u>	<u>2,122</u>	<u>588</u>	<u>1,321</u>	<u>164</u>
Asia					
Japan	39	307	—	—	—
Singapore	169	—	—	—	—
Other	17	22	—	—	—
	<u>225</u>	<u>329</u>			
Latin America					
Brazil	—	189	—	—	—
Argentina	—	165	—	—	—
St. Croix	—	81	—	—	—
Panama	—	84	—	—	—
Other	—	154	—	—	—
	<u>—</u>	<u>673</u>	<u>—</u>	<u>—</u>	<u>—</u>
International waters	—	3,260	—	1,340	—
Other ⁽²⁾	4	11,481	19	6,753	—
Consolidated	<u>\$3,789</u>	<u>\$21,511</u>	<u>\$1,491</u>	<u>\$11,385</u>	<u>\$424</u>

(1) During 1998, there was one customer located in the United States that accounted for 16% of consolidated revenue, another customer located in Canada that accounted for 16% of consolidated revenue, and one customer located in the Netherlands that accounted for 11% of consolidated revenue. There were no individual customers in 2000 and 1999 that accounted for more than 10% of consolidated revenue.

(2) Long-lived assets include goodwill resulting from mergers and acquisitions.

GLOBAL CROSSING LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

23. QUARTERLY FINANCIAL DATA (UNAUDITED)

The Company's unaudited quarterly results are as follows:

	2000 Quarter Ended			
	March 31	June 30	September 30	December 31
	(in millions, except per share data)			
Revenue	\$906	\$899	\$987	\$997
Operating loss	(164)	(290)	(362)	(580)
Loss from continuing operations	(252)	(304)	(454)	(298)
Net loss	(303)	(366)	(544)	(454)
Loss applicable to common shareholders	(348)	(516)	(602)	(514)
Loss from continuing operations applicable to common shareholders per common share, basic and diluted	(0.38)	(0.55)	(0.58)	(0.40)
Loss applicable to common shareholders per common share, basic and diluted	(0.45)	(0.62)	(0.69)	(0.58)

	1999 Quarter Ended			
	March 31	June 30	September 30	December 31
	(in millions, except per share data)			
Revenue	\$178	\$190	\$255	\$868
Operating income (loss)	41	40	13	(98)
Income (loss) from continuing operations	12	10	136	(151)
Net (loss) income	(2)	10	121	(240)
Income (loss) applicable to common shareholders	(15)	(4)	107	(266)
(Loss) income from continuing operations per common share, basic	(0.00)	(0.01)	0.30	(0.23)
(Loss) income per common share, basic	(0.04)	(0.01)	0.26	(0.34)
(Loss) income from continuing operations applicable to common shareholders per common share, diluted	(0.00)	(0.01)	0.27	(0.23)
(Loss) income applicable to common shareholders per common share, diluted	(0.04)	(0.01)	0.24	(0.34)

SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
(in millions)

<u>Description</u>	<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>	<u>Column E</u>
	Balance at December 31, 1999	<u>Additions</u>		<u>Deductions</u>	Balance at December 31, 2000
		<u>Charged to expenses</u>	<u>Charged to other accounts</u>		
2000					
Reserve for uncollectible accounts	\$ 84	\$ 72	\$ 3	\$ (49)	\$110
Deferred tax valuation allowance	\$ 53	\$167	\$ (13)	\$—	\$207
1999					
Reserve for uncollectible accounts	\$ 4	\$ 36	\$ 76	\$ (32)	\$ 84
Deferred tax valuation allowance	\$—	\$ 15	\$ 38	\$—	\$ 53
1998					
Reserve for uncollectible accounts	\$—	\$ 4	\$—	\$—	\$ 4

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf on March 28, 2001 by the undersigned, thereunto duly authorized.

GLOBAL CROSSING LTD.

By: /s/ DAN J. COHRS
Dan J. Cohrs
Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Thomas J. Casey, Dan J. Cohrs and James C. Gorton, and each of them, as his true and lawful attorneys-in-fact and agents, with power to act with or without the others and with full power of substitution and resubstitution, to do any and all acts and things and to execute any and all instruments which said attorneys and agents and each of them may deem necessary or desirable to enable the registrant to comply with the U.S. Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the U.S. Securities and Exchange Commission thereunder in connection with the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (the "Annual Report"), including specifically, but without limiting the generality of the foregoing, power and authority to sign the name of the registrant and the name of the undersigned, individually and in his capacity as a director or officer of the registrant, to the Annual Report as filed with the U.S. Securities and Exchange Commission, to any and all amendments thereto, and to any and all instruments or documents filed as part thereof or in connection therewith; and each of the undersigned hereby ratifies and confirms all that said attorneys and agents and each of them shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 28, 2001 by the following persons on behalf of the registrant and in the capacities indicated.

<u>Signatures</u>	<u>Title</u>
<u>/s/ GARY WINNICK</u> Gary Winnick	Chairman of the Board and Director
<u>/s/ LODWRICK M. COOK</u> Lodwick M. Cook	Co-Chairman of the Board and Director
<u>/s/ THOMAS J. CASEY</u> Thomas J. Casey	Vice Chairman of the Board, Chief Executive Officer and Director
<u>/s/ JOSEPH P. CLAYTON</u> Joseph P. Clayton	Director; President, Global Crossing North America

<u>Signatures</u>	<u>Title</u>
<u>/s/ DAN J. COHRS</u> Dan J. Cohrs	Executive Vice President and Chief Financial Officer (principal financial officer and principal accounting officer)
<u>/s/ MARK ATTANASIO</u> Mark Attanasio	Director
<u>/s/ NORMAN BROWNSTEIN</u> Norman Brownstein	Director
<u>/s/ WILLIAM E. CONWAY, JR.</u> William E. Conway, Jr.	Director
<u>/s/ ERIC HIPPEAU</u> Eric Hippeau	Director
<u>/s/ GEOFFREY J.W. KENT</u> Geoffrey J.W. Kent	Director
<u>/s/ DAVID L. LEE</u> David L. Lee	Director
<u>John M. Scanlon</u>	Director

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CITIZENS COMMUNICATIONS COMPANY

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE YEAR ENDED DECEMBER 31, 2000

<PAGE>

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT
OF 1934
For the fiscal year ended December 31, 2000 Commission file number 001-11001

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE



2000 ANNUAL REPORT

Letter to Shareholders Leadership Selected Financial Information Shareholder Information Corporate Profile/Mission and Values

▶ Proxy Statement

2000
Form 10-K

- ▶ 2000 Form 10-K
- ▶ Item 1 - Business
- ▶ Description of Business
- ▶ Acquisitions and Divestitures
- ▶ Item 2 - Properties
- ▶ Item 3 - Legal Proceedings
- ▶ Item 4 - Submission of Matters to Vote of Security Holders
- ▶ Executive Officers
- ▶ Item 5 - Market for the Registrant's Common Equity and Related Stockholder Matters
- ▶ Item 6 - Selected Financial Data
- ▶ Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations
- ▶ Liquidity and Capital Resources
- ▶ Results of Operations

ITEM 6. SELECTED FINANCIAL DATA

	Year Ended December 31,			
	2000	1999	1998	1997
	(\$ in thousands, except per share amounts)			
Revenue ⁽¹⁾	\$1,802,358	\$1,598,236	\$1,448,588	\$1,303,901
Income (loss) from continuing operations before cumulative effect of change in accounting principle	\$ (40,071)	\$ 136,599	\$ 46,444	\$ 2,066
Net income (loss)	\$ (28,394)	\$ 144,486	\$ 57,060	\$ 10,100
Basic income (loss) per share of Common Stock from continuing operations before cumulative effect of change in accounting principle	\$ (0.15)	\$ 0.52	\$ 0.18	\$ 0.01
Basic net income (loss) per common share ⁽²⁾	\$ (0.11)	\$ 0.55	\$ 0.22	\$ 0.04
Stock dividends declared on Common Stock ⁽³⁾	—	—	3.03%	5.30%
	As of December 31,			
	2000	1999	1998	1997
	(\$ in thousands)			
Total assets	\$6,955,006	\$5,771,745	\$5,292,932	\$4,872,852
Long-term debt	\$3,062,289	\$2,107,460	\$1,819,555	\$1,627,388
Shareholders' equity	\$1,720,001	\$1,919,935	\$1,792,771	\$1,679,211

1. Represents revenue from continuing operations.
2. 1997 and 1996 are adjusted for subsequent stock dividends.
3. Compounded annual rate of quarterly stock dividends.

	High	Low	High	Low
First quarter	\$ 17.06	\$ 13.75	\$ 8.50	\$ 7.25
Second quarter	\$ 18.00	\$ 14.31	\$ 11.50	\$ 7.69
Third quarter	\$ 19.00	\$ 13.00	\$ 12.44	\$ 10.88
Fourth quarter	\$ 15.31	\$ 12.50	\$ 14.31	\$ 10.94

As of February 28, 2001, the approximate number of record security holders of our Common Stock was 37,753. This information was obtained from our transfer agent.

DIVIDENDS

The amount and timing of dividends payable on Common Stock are within the sole discretion of our Board of Directors. Our Board of Directors discontinued the payment of dividends after the payment of the December 1998 stock dividend.

RECENT SALES OF UNREGISTERED SECURITIES, USE OF PROCEEDS FROM REGISTERED SECURITIES

None

Item 6. Selected Financial Data

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(\$ in thousands, except per share amounts)

	Year Ended December 31,			
	2000	1999	1998	1997
<S>	<C>	<C>	<C>	<C>
Revenue (1)	\$ 1,802,358	\$ 1,598,236	\$ 1,448,588	\$ 1,303,901
Income (loss) from continuing operations before cumulative effect of change in accounting principle	\$ (40,071)	\$ 136,599	\$ 46,444	\$ 2,066
Net income (loss)	\$ (28,394)	\$ 144,486	\$ 57,060	\$ 10,100
Basic income (loss) per share of Common Stock from continuing operations before cumulative effect of change in accounting principle	\$ (0.15)	\$ 0.52	\$ 0.18	\$ 0.01
Basic net income (loss) per common share (2)	\$ (0.11)	\$ 0.55	\$ 0.22	\$ 0.04
Stock dividends declared on Common Stock (3)	-	-	3.03%	5.30%

As of December 31,

	2000	1999	1998	1997
Total assets	\$ 6,955,006	\$ 5,771,745	\$ 5,292,932	\$ 4,872,852
Long-term debt	\$ 3,062,289	\$ 2,107,460	\$ 1,819,555	\$ 1,627,388
Shareholders' equity	\$ 1,720,001	\$ 1,919,935	\$ 1,792,771	\$ 1,679,211

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Citizens Communications Company and subsidiaries as of December 31, 2000 and 1999 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

New York, New York
March 8, 2001

KPMG LLP

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CITIZENS COMMUNICATIONS COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2000 AND 1999
(\$ in thousands)

	2000	1999
ASSETS		
Current assets:		
<S>		<C>
Cash	\$ 31,223	\$ 37,141
Accounts receivable, net	243,304	241,519
Materials and supplies	10,945	12,624
Short-term investments	38,863	-
Other current assets	52,545	17,340
Assets held for sale	1,212,307	1,060,704
Assets of discontinued operations	673,515	595,710
	-----	-----
Total current assets	2,262,702	1,965,038
Property, plant and equipment, net	3,509,767	2,888,718
Investments	214,359	591,386

Goodwill and customer base, net	633,268	30,187
Regulatory assets	175,949	184,942
Other assets	158,961	111,474
	-----	-----
Total assets	\$6,955,006	\$ 5,771,745
	=====	=====

LIABILITIES AND EQUITY		
Current liabilities:		
Long-term debt due within one year	\$ 181,014	\$ 31,156
Accounts payable	171,002	187,984
Income taxes accrued	3,429	75,161
Other taxes accrued	31,135	27,823
Interest accrued	36,583	30,788
Customer deposits	18,683	32,842
Other current liabilities	69,551	81,258
Liabilities related to assets held for sale	290,575	139,157
Liabilities of discontinued operations	190,496	171,112
	-----	-----
Total current liabilities	992,468	777,281
Deferred income taxes	490,487	460,208
Customer advances for construction and contributions in aid of construction	205,604	179,831
Other liabilities	108,321	87,668
Regulatory liabilities	24,573	27,000
Long-term debt	3,062,289	2,107,460
Minority interest in subsidiary	-	11,112
Equity forward contracts	150,013	-
Company Obligated Mandatorily Redeemable Convertible Preferred Securities*	201,250	201,250
Shareholders' equity	1,720,001	1,919,935
	-----	-----
Total liabilities and shareholders' equity	\$6,955,006	\$ 5,771,745
	=====	=====

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* Represents securities of a subsidiary trust, the sole assets of which are securities of a subsidiary partnership, substantially all the assets of which are convertible debentures of the Company.

The accompanying Notes are an integral part of these Consolidated Financial Statements.

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CITIZENS COMMUNICATIONS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 and 1998
(\$ in thousands, except for per-share amounts)

	2000	1999	1998
<S>	<C>	<C>	<C>
Revenue	\$1,802,358	\$1,598,236	\$1,448,581
Operating expenses:			
Cost of services	449,121	361,806	359,761
Depreciation and amortization	387,607	310,185	245,471
Other operating expenses	803,900	851,969	692,381
Acquisition assimilation expense	39,929	3,916	
Total operating expenses	1,680,557	1,527,876	1,297,621
Operating income	121,801	70,360	150,961
Investment income, net	4,736	243,885	32,351
Other loss, net	(1,386)	(88)	(26,231)
Minority interest	12,222	23,227	14,031
Interest expense	187,366	119,675	101,791
Income (loss) from continuing operations before income taxes, dividends on convertible preferred securities and cumulative effect of change in accounting principle	(49,993)	217,709	69,311
Income tax expense (benefit)	(16,132)	74,900	16,661
Income (loss) from continuing operations before dividends on convertible preferred securities and cumulative effect of change in accounting principle	(33,861)	142,809	52,651
Dividends on convertible preferred securities, net of income tax benefit	6,210	6,210	6,211
Income (loss) from continuing operations before cumulative effect of change in accounting principle	(40,071)	136,599	46,441
Income from discontinued operations, net of tax	11,677	7,887	12,951
Income (loss) before cumulative effect of change in accounting principle	(28,394)	144,486	59,391
Cumulative effect of change in accounting principle, net of income tax and related minority interest	-	-	2,331

Net income (loss)	\$ (28,394)	\$ 144,486	\$ 57,061
Other comprehensive income (loss), net of income tax and reclassification adjustments	(14,505)	(41,769)	52,871
Total comprehensive income (loss)	\$ (42,899)	\$ 102,717	\$ 109,931
Income (loss) from continuing operations before cumulative effect of change in accounting principle per common share:			
Basic	\$ (0.15)	\$ 0.52	\$ 0.11
Diluted	\$ (0.15)	\$ 0.52	\$ 0.11
Income from discontinued operations per common share:			
Basic	\$ 0.04	\$ 0.03	\$ 0.01
Diluted	\$ 0.04	\$ 0.03	\$ 0.01
Income (loss) before cumulative effect of change in accounting principle per common share:			
Basic	\$ (0.11)	\$ 0.55	\$ 0.21
Diluted	\$ (0.11)	\$ 0.55	\$ 0.21
Net income (loss) per common share:			
Basic	\$ (0.11)	\$ 0.55	\$ 0.21
Diluted	\$ (0.11)	\$ 0.55	\$ 0.21

</TABLE>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

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CITIZENS COMMUNICATIONS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 and 1998
(\$ in thousands, except for per-share amounts)

Common Stock (\$0.25)	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholder Equity
-----------------------------	----------------------------------	----------------------	--	-------------------	--------------------------------

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance January 1, 1998	\$ 62,749	\$ 1,480,425	\$ 132,217	\$ 3,820	\$ -	\$ -	\$ 1,679,200
Acquisitions	133	2,150	-	-	-	-	2,283
Common stock buybacks to fund dividends	(453)	(14,370)	-	-	-	-	(14,823)
Stock plans	171	5,935	-	-	-	-	6,106
Stock issuances to fund EPPICS dividends	273	9,789	-	-	-	-	10,062
Net income	-	-	57,060	-	-	-	57,060
Other comprehensive income, net of tax and reclassification adjustment	-	-	-	52,872	-	-	52,872
Stock dividends in shares of Common Stock	1,914	70,259	(72,173)	-	-	-	-
Balance December 31, 1998	64,787	1,554,188	117,104	56,692	-	-	1,792,673
Common stock buybacks to fund EPPICS dividends	(157)	(6,468)	-	-	-	-	(6,625)
Stock plans	638	20,475	-	-	-	-	21,113
Stock issuances to fund EPPICS dividends	251	9,708	-	-	-	-	9,959
Net income	-	-	144,486	-	-	-	144,486
Other comprehensive loss, net of tax and reclassification adjustment	-	-	-	(41,769)	-	-	(41,769)
Balance December 31, 1999	65,519	1,577,903	261,590	14,923	-	-	1,919,935
Acquisitions	28	1,770	-	-	1,861	3,641	(49,209)
Treasury stock acquisitions	-	-	-	-	(49,209)	(49,209)	38,500
Stock plans	895	42,156	-	-	(4,523)	(4,523)	(150,000)
Equity forward contracts	-	(150,013)	-	-	-	-	(28,300)
Net loss	-	-	(28,394)	-	-	-	(28,394)
Other comprehensive loss, net of tax and reclassification adjustment	-	-	-	(14,505)	-	-	(14,505)
Balance December 31, 2000	\$ 66,442	\$ 1,471,816	\$ 233,196	\$ 418	\$ (51,871)	\$ 1,720,000	\$ 1,720,000

</TABLE>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 and 1998
(\$ in thousands)

	2000	1999	1998
<S>	<C>	<C>	<C>
Net cash provided by continuing operating activities	\$ 308,144	\$ 370,289	\$ 249,899
Cash flows from investing activities:			
Capital expenditures	(536,639)	(573,330)	(477,976)
Securities purchased	(101,427)	(1,068,451)	(952,628)
Securities sold	381,699	1,084,239	992,769
Securities matured	16,072	7,435	2,000
Acquisitions	(986,133)	-	(88,863)
ELI share purchases	(38,748)	-	-
Other	(8,454)	(2,833)	(6,398)
	-----	-----	-----
Net cash used by investing activities	(1,273,630)	(552,940)	(531,096)
Cash flows from financing activities:			
Short-term debt borrowings (repayments)	-	(110,000)	42,000
Long-term debt borrowings	1,063,158	340,503	240,485
Long-term debt principal payments	(46,972)	(46,619)	(7,302)
Issuance of common stock	19,773	21,113	7,101
Common stock buybacks	(49,209)	(6,625)	(14,823)
Other	30,684	(6,363)	40,232
	-----	-----	-----
Net cash provided by financing activities	1,017,434	192,009	307,693
Cash used by discontinued operations	(57,866)	(4,139)	(29,737)
Increase (decrease) in cash	(5,918)	5,219	(3,241)
Cash at January 1,	37,141	31,922	35,163
	-----	-----	-----
Cash at December 31,	\$ 31,223	\$ 37,141	\$ 31,922
	=====	=====	=====
Non-cash investing and financing activities:			
Increase in capital lease asset	\$ 102,192	\$ 60,321	\$ 7,987
Equity forward contracts	150,013	-	-
Issuance of shares for acquisitions	3,659	-	2,283
Issuance of shares for dividends	-	9,959	82,235
Debt assumed from acquisitions	-	-	13,800

</TABLE>